POWERLINK 2027-32 REVENUE PROPOSAL

Submission from the Powerlink Revenue Proposal Reference Group (RPRG)

11 May | 2026

RPRG Members:
Nardia Yeates, Robyn Robinson, Katie-Anne Mulder, Stephanie McKechnie, Chris Hazzard, Mark Grenning

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Acknowledgments:

We would like to acknowledge the excellent support we have received from many Powerlink staff in preparing this submission. Apart from the formal meetings listed in the Proposal, we had many informal discussions and requests for information then clarification if we did not fully understand the information provided. Every request was answered comprehensively and willingly. Staff were happy to respond to what might appear at first sight to be insignificant issues because they were focussed on ensuring the RPRG fully understood the Proposal.

1. Introduction, Conclusions and Recommendations

Introduction

Powerlink is a licensed, regulated operator of the monopoly high voltage electricity transmission network in Queensland, running from Cairns to the New South Wales border. As a Transmission Network Service Provider (TNSP) Powerlink is subject to 'revenue cap' regulation by the Australian Energy Regulator (AER). This means that every five years Powerlink makes submissions to the AER on the proposed revenue that the AER should 'allow' for the next five-year period to deliver its 'prescribed' (ie regulated) services. These services include:

- shared transmission services provided to directly connected customers and distribution networks (Ergon, Energex and Essential Energy)- prescribed Transmission Use of System services
- connection services for the Queensland Distribution Network Service Providers (DNSPs) who are connected to the transmission network - prescribed exit services
- grandfathered connection services provided to generators and customers directly connected to the transmission network that were in place on 9 February 2006- prescribed entry and exit services, and
- services required under the Rules or to comply with jurisdictional electricity legislation that are necessary to ensure the integrity of the transmission network, including through the maintenance of power system security and quality (prescribed common transmission services).

Powerlink also provides 'non-regulated' services e.g. connections for renewable generators, that are priced according to commercial negotiations between the parties.

The AER sets the 'maximum allowed revenue' (MAR) for the five-year period based on forecast capital (capex or 'ex ante' capex) and operating (opex) costs, plus return of (regulated depreciation) and on (Weighted Average Cost of Capital – WACC) capex, adjustments for past network spending above AER allowances and the taxation it will pay. Individual consumer prices are set by Powerlink following established rules. For the average residential or small business consumer, Powerlink's transmission charges currently make up ~6.7% (~$148/yr) of the bills for residential and 6.5% (~$288/yr) of the bills for small business customers. The percentage for large customers varies depending on whether they are directly connected to Powerlink's system or connected via the Energex or Ergon distribution network.

This Section begins by outlining the role of the Revenue Proposal Reference Group (RPRG) appointed by Powerlink for its 2027-32 reset. It then comments on the forecast expenditure for the current (2022-27) and forecast (2027-32) periods and the AER Issues Paper on the 2027-32 proposal.

Finally, it presents a series of conclusions and recommendations including our assessment of whether the 2027-32 Revenue Proposal ('Proposal') is 'capable of acceptance' by the RPRG. Our responses to the questions the AER have posed in its Issues Paper[1] is in the Appendix.

All $ numbers are in $2026-27 unless otherwise indicated.

[1] https://www.aer.gov.au/news/articles/communications/aer-releases-issues-paper-powerlinks-transmission-2027-32-revenue-proposal

The Role of the Revenue Proposal Reference Group

Powerlink has appointed the Revenue Proposal Reference Group (RPRG) from customer representatives on its Customer Panel along with Powerlink representatives and invited stakeholders including the AER and the AER Consumer Challenge Panel[2]. Under the Terms of Reference[3] we are providing a customer centric input into the Proposal.

Given Powerlink's overarching engagement goal:

> *"To deliver a Revenue Proposal that is capable of acceptance by our customers, the AER and Powerlink"*

the RPRG worked with Powerlink to develop a 'capable of acceptance' matrix of what we were expected to engage and provide comment on in our submissions.

Table 3.2- Capable of acceptance criteria

Capable of Acceptance Criteria	Customer Panel	AER	Powerlink
Nature of engagement	Yes	Yes	Yes
Breadth and depth	Yes	Yes	Yes
Clearly evidenced impact	Yes	Yes	Yes
Proof point	Optional	Yes	Yes

Our focus is on how the Proposal reflects the National Electricity Objective of the long-term interests of consumers[4], enhances network efficiency and meets regulatory requirements, particularly with respect to consumer engagement. We assess Powerlink's consumer engagement under the Better Resets Handbook framework[5] – nature of engagement, breadth and depth and clearly evidenced impact.

While it is the AER's role to assess the 'prudent and efficient' proof point, we raised questions and challenged Powerlink to provide transparency to support consumer understanding of why the proposed significant increases in expenditure (and the resulting network prices) are in its customers' interests. This has led to detailed discussions on a range of issues that are presented in the Proposal and expanded on in this submission leading to areas where we recommend close scrutiny by the AER as it assesses prudency and efficiency and deliverability of that capex an opex.

We have met regularly with Powerlink staff to examine in depth key parts of the Proposal as it was being developed to provide customer and stakeholder perspectives on the reasonableness of Powerlink's proposed positions. Figure 3.2 on p.25 of the Proposal provides details of the many formal meetings the RPRG has had with Powerlink as the Proposal has been developed. We have had further formal meetings since the submission. In addition, we have had many informal meetings and detailed email exchanges. We report back to the full Customer Panel at each Panel meeting seeking their comments on our views and their areas of concern.

[2] https://www.aer.gov.au/consumer-challenge-panel
[3] https://www.powerlink.com.au/sites/default/files/2025-04/Revenue%20Proposal%20Reference%20Group%20-%20Terms%20of%20Reference%20-%20February%202025.pdf
[4] https://www.aemc.gov.au/regulation/neo
[5] https://www.aer.gov.au/about/strategic-initiatives/better-resets-handbook

This is our second submission on the Proposal, our first being in October 2025[6] on the Draft Plan[7]. Two successive drafts of this submission were presented to the Powerlink Customer Panel on 26th March and 24th April 2026 and their comments have been incorporated in this final version. Following the AER's Draft Determination in September 2026 and Powerlink's submission of its Revised Proposal in December 2026, our third submission will be in January 2027. The AER's final determination is due in April 2027.

Powerlink Revenue Proposal 2022-27

Powerlink's Proposal for the current 2022-27 period had ambitious stretch targets. Compared with the previous 2017-22 period, capex was 3% lower and opex was slightly higher. MAR was 12% lower and the Regulated Asset Base (RAB) was forecast to decline, continuing a trend for the previous decade. By the end of the 2022-27 period, nominal prices for residential and small business consumers were forecast to be only 0.7% higher than at the end of the previous period ie a decline in real terms.

The Proposal was driven by a desire to create 'constructive discomfort' in the organisation. While Powerlink did not have a clear pathway to how the expenditure targets would be achieved, it was confident that the target seemed achievable given the then accepted view of the operating environment. At the time the then RPRG noted that it would be challenging for Powerlink to achieve its targets but was very supportive of Powerlink's intent. The AER considered the Proposal was capable of acceptance at the Draft Decision stage[8].

The forecast outcome for the current period is capex and opex significantly above the AER allowances driven by the very challenging business operating environment that has turned out to be radically different than expected in 2021.

Powerlink Revenue Proposal 2027-32

Powerlink expects this challenging business operating environment to continue in 2027-32. This includes:

- strong cost pressures on labour and materials as supply chains seek to cope with elevated demand locally as well as across the world
- increased system complexity with the renewables integration, widening operating envelope, new technology, cyber security and fast paced regulatory change
- expectations of high levels of system reliability and resilience with increased renewables penetration and climate event risk, and
- customer focus on affordability and social licence.

These are combining to create risks to 'on time' and 'on budget' project deliverability and staying within the proposed expenditure limits. Global economic pressures, particularly driven by the Iran war have the potential to magnify these costs and supply chain pressures, at least in the short term, as well as impose have longer term implications from inflation induced interest rate rises increasing the WACC there have been three 25bpts increases in official interest rates since Powerlink made its submission.

[6] https://www.powerlink.com.au/sites/default/files/2025-10/Revenue%20Proposal%20Reference%20Group%20-%20Submission%20on%20Powerlink%202027-32%20Draft%20Revenue%20Proposal%20-%2014%20Oct%2025.pdf

[7] https://www.powerlink.com.au/sites/default/files/2025-09/Powerlink%202027-32%20Draft%20Revenue%20Proposal%20-%20September%202025.pdf

[8] https://www.aer.gov.au/industry/registers/determinations/powerlink-determination-2022-27/final-decision

The significant impact of this changed operating environment on proposed expenditure is shown in the following table.

$2026-27m	2022-27			2027-32		
	Allowance	Actual/Forecast	% change	Forecast	% change vs 2022-27 allowance	% change vs 2022-27 actual/forecast
Opex[1]	$1,263.8	$1,517.2	+20%	$1,810.2	+43%	+19%
Capex	$1,081.0	$1,504.5	+39%	$2,499.5	+131%	+66%

1. Excludes debt raising costs

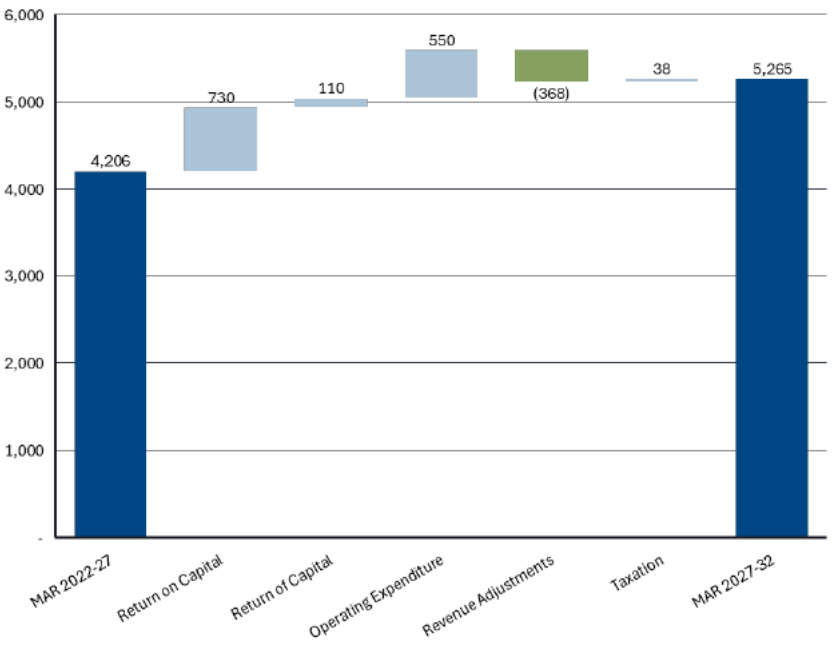
The forecast 2027-32 capex excludes many projects with varying certainties of proceeding. Those that are definitely expected to proceed are the synchronous condensers ('syn cons') and Gladstone Priority Transmission Investment ('Gladstone PTI') with a combined capex of $3,296m with $2,329m forecast to be spent in 2027-32. There is an additional potential capex spend of $2,440m-$4,320m from nine contingent projects proposed by Powerlink for the 2027-32 period. The CopperString project, that will be developed by the Queensland Investment Corporation and not Powerlink, is also additional to this capex forecast.

The table and figure below show the change in MAR base on the forecast capex in the above table.

$2026-27m	AER Allowance 2022-27	Powerlink forecast 2027-32	% change
Maximum allowed revenue (unsmoothed)	$4,206.3m	$5,265.3m	+25%

The waterfall chart shows the main contributors to the increased MAR:

Figure 10.2 - Drivers of unsmoothed MAR change ($million real, 2026/27)



- the increase in 'return on capital' mainly reflects higher interest rates since 2021, that are outside of Powerlink's control, with a higher RAB from 2022-27 capex making a smaller contribution; the year 1 rate of return is calculated at 6.29% compared with 5.08% in the AER's final decision on 2022-27[9] and 6.17% in the Draft Plan; this is expected to increase by the time of the AER's Final Decision in April 2027 given recent interest rate rises with the market expecting further rises in 2026
- the increase in 'return of capital' reflects higher depreciation from a higher capex in the current and next periods which is partly, at least, within Powerlink's control
- the large $550m increase from opex, which is also partly, at least, within Powerlink's control, has a big impact because that cost flows through immediately into customer bills (compared to capex which is covered by straight line depreciation over the asset life that can be decades)
- the 'revenue adjustments' reflect Powerlink having to effectively pay 30% of the capex and opex overspend above the AER allowances in the current period; this payment is reflected as a reduction in the MAR for the next period of $225.0m because of opex overspend and $136.4m because of capex overspend.

The large forecast current and next period capex results in a significant rise in the RAB over time.

Regulated Asset Base	$2026-27	% change
Start of current period – 1st July 2022	$7,157.9m	
Start of next period – 1st July 2027	$8,322.6m	+16.3%
End of next period – 30th June 2032 • Based on the Proposal capex • Also including syn cons and Gladstone PTI	 $9,964.8m $13,459.9m	 +19.7% +61.7%

MAR can vary year-to-year, so revenue for the regulatory period undergoes a 'smoothing' process so that the year-to-year price changes are not overly large. Powerlink empowered the RPRG to determine their approach to revenue smoothing. Our approach is designed to provide customers with a smoother, more predictable price path. The annual nominal increase in transmission charges is forecast to be 5% for both residential and small business customers. The table below shows the transmission component of an average customer bill in the final year of the current regulatory period (FY27) and the final year of the next regulatory period (FY32), reflecting the cumulative impact of MAR changes.

Nominal $	Annual average transmission bill in year 5 of current period- 2027	Annual average transmission bill in year 5 of next period – 2032
Residential	148	188
Small business	288	366

Add in the Gladstone PTI and syn con projects and the annual nominal increase in prices for residential and small business increases to 10%/year. The increases for larger customers tend to be customer specific.

[9] See p. 40 https://www.aer.gov.au/documents/aer-powerlink-2022-27-final-decision-april-2022

AER Issues Paper

We agree with the AER Issues Paper[10] when it highlights:

- the significant increase in forecast opex and capex in 2027-32 over the current period forecast which, in turn, is significantly above AER allowances for the current period
- the challenging operating environment in Queensland as Powerlink is driven by national and state planning under the AEMO's Integrated System Plan and the Queensland Energy Roadmap at a time of increasing system complexity eg widening operating envelope between minimum and peak demand
- deliverability is a key challenge for network service providers
- the importance of the significant potential capex from PTI/contingent/ISP projects, that is outside of the ex ante capex, to assessing deliverability and price impact on customers.

The AER seeks feedback on 20 questions. Our responses to these questions are in the Appendix.

Summary of Recommendations and Conclusions

We list our recommendations to both the AER and Powerlink.

Submission section	Recommendation
1. Summary, Conclusions and Recommendations	**Conclusion 1** - We consider the revenue proposal is 'capable of acceptance' based on the criteria agreed with Powerlink to apply to the Customer Panel and RPRG. These criteria focus on Powerlink's engagement under the Better Resets Handbook framework. Our optional 'proof point' assessment has identified key issues we recommend the AER focus on in their assessment of the prudency and efficiency of the proposed expenditure.
2. Business and Operating Environment	**Conclusion 2** We consider that Powerlink has provided an informative and well considered analysis of the operating environment challenges it and its customers face. **Recommendation 1 – Ongoing scrutiny of productivity and labour cost pressures** The AER should closely scrutinise Powerlink's assumptions regarding labour cost growth and productivity improvements, particularly in the context of Enterprise Bargaining Agreement (EBA) outcomes and broader industry productivity trends. Does the productivity idea development framework provide confidence that Powerlink will have an efficient ideas development pipeline? Given the scale of the proposed capital and operating expenditure program, achieving productivity improvements will be critical to ensuring deliverability and minimising cost impacts for consumers.

[10] https://www.aer.gov.au/documents/aer-issues-paper-powerlink-electricity-transmission-determination-2027-32-march-2026

Submission section	Recommendation
3. Customer engagement	**Conclusion 3** The RPRG commends Powerlink's collaborative approach to the 2027–32 Engagement Plan. Engagement with the RPRG and Customer Panel meets and often exceeds the principles set out in the Better Resets Handbook, demonstrating genuine collaboration and meaningful opportunities for stakeholder influence in the development of the Revenue Proposal. **Recommendation 2 – RPRG leadership & continuity** For future regulatory resets, Powerlink should ensure continuity of RPRG membership where possible and maintain the role of an independent chair to support effective engagement and informed stakeholder participation. **Recommendation 3 – Powerlink reporting to Customer Panel** Powerlink and the Customer Panel should co-design a Dashboard to report on progress against AER allowances for the current and 2027-32 periods.
4. Capital Expenditure	**Recommendation 4 – Close review of capex forecasts and cost estimation** Given the substantial increase in forecast capital expenditure, the AER should closely review Powerlink's forecasting methodologies, including the impact of the Asset Investment Review, the use of AACE Class 5 estimates and the assumptions underpinning project timing and scope. Also refer to Recommendation 13 below on deliverability. **Recommendation 5 – Monitoring the impact of projects outside ex-ante capex** The AER and Powerlink should seek to come to a shared understanding of which projects outside of the ex ante capex to give consumers some sensitivity analysis on the potential impacts on the Maximum Allowed Revenue (MAR) and customer prices. See Recommendation 12 below. **Recommendation 6 – Ongoing monitoring of stranded asset risk** Powerlink should continue to monitor the potential for stranded asset risk associated with long-life transmission infrastructure, particularly where investment is driven by demand from emissions-intensive industries that may decline over time.

Submission section	Recommendation
5. Operating Expenditure	**Recommendation 7 – Review of base year efficiency assessment** We look forward to the expected AER review of the opex benchmarking methodology in the next year or so. The NEO is not best served by the current methodology that assesses network efficiency as a relative rather than an absolute concept and leads to no base year adjustment when all TNSPs productivity falls, as has been the case in recent years. **Conclusion 4** Powerlink has made a credible case for a review of the methodology for calculating the output measures in the opex trend component. **Recommendation 8 – Sector-wide review of output measures** The AER should consider undertaking a broader review of transmission network output measures used in the economic benchmarking framework to ensure they adequately reflect the increasing complexity of operating modern electricity networks. **Recommendation 9 – Monitoring labour cost assumptions** Given the potential for labour costs to exceed forecast levels due to EBA outcomes and contractor cost pressures, the AER should continue to test the validity of labour cost assumptions within Powerlink's operating expenditure forecasts. **Recommendation 10 – Clarification of step change materiality thresholds** The AER should provide clearer guidance on its assessment of prudent and efficient step changes and how it assesses double counting through the base and trend components.
6. Price Path	**Recommendation 11 – Support for a stable and predictable price path** The RPRG supports Powerlink's proposed revenue smoothing approach, which reflects customer preferences for price stability and predictability, particularly given broader cost-of-living pressures and the importance of electricity price predictability for commercial and industrial customers. **Conclusion 5** Powerlink is commended for its transparent price path information on the impact of projects that are most likely to proceed but are outside of the ex-ante capex forecast. **Recommendation 12 – Transparency of future price scenarios** Given the customer concern about potential price impacts of the large range of projects outside the ex ante capex, we would like to engage with Powerlink to seek a shared understanding of which of these projects should be included in providing consumers with 2027-32 price path scenarios. This transparency should continue with updated price impact data to be included in the proposed Customer Panel Dashboard.

Submission section	Recommendation
Capex and opex deliverability	Conclusion 6 Powerlink has provided considerable information to support their view on the deliverability of their proposed capex plan (both ex ante and projects outside of the ex-ante forecast) which gives the RPRG confidence they have the required focus on deliverability. Nevertheless potentially significant risks remain especially if some of the contingent projects proceed. Given the significant increase in forecast expenditure and the broader infrastructure demand not just in Queensland but across the east coast, the RPRG considers that the ability to deliver projects 'on time' and 'on budget' will be critical to protecting consumers from additional unexpected cost pressures. Recommendation 13 – Deliverability of the opex and capex programs The AER should closely examine the deliverability of their allowed prudent and efficient opex and capex given the impact of projects outside of ex ante capex discuss in Recommendation 5 above. This analysis would include an assessment of the proposed productivity improvements, sequencing of projects, workforce capacity, contractor availability and supply chain risks.

2. Business and Operating Environment

What we said in our Draft Plan comments

Powerlink has provided a comprehensive explanation of the external factors affecting its 2022–27 expenditure outcomes and the challenges it faces for 2027-32 that were not evident as it prepared its Proposal for the current period. We suggested three operating environment factors Powerlink should address as part of its revenue Proposal – workforce capability and skills availability, the impact of the 2024 and 2028 EBAs (both of which impact on the ability to meet forecast capex and opex expenditure) and insurance market volatility.

What Powerlink is now proposing

The discussion is very similar to that in the Draft Plan highlighting key issues:

- customers - focus on affordability, price predictability (especially for large commercial and industrial customers), reliability and resilience
- costs - unprecedented cost increases driven by a combination of global drivers of equipment costs and local labour and materials cost pressures faced by all infrastructure providers
- system complexity - changes in network demand and connectivity to the network eg inverter based renewable generation and storage, the widening operating envelope with falling minimum demand combined with rising maximum demand and increasing cyber security threats and compliance costs; Powerlink considers that this complexity is not appropriately reflected in the current output measures used by the AER in its benchmarking
- deliverability – work force capacity and capability, social licence to operate, climate risk, energy market regulation and Government policy

Powerlink's response to the three issues we raised in our submission on the Draft Plan is:

Workforce capability and skills availability

This is an issue covering all infrastructure expenditure, not just the energy sector. Skill shortages ranging from project engineers to the general construction workforce to specialist transmission expertise affect project cost and delivery timelines. Powerlink's response is a combination of:

- establishment of a major projects division to oversee large projects especially the Gladstone PTI and syn cons
- field delivery resource models – expanding the regional workforce and a new Service Level Agreement with their principal maintenance service provider (Ergon) to ensure field services are aligned with projected demand
- panel agreements - consolidation of transmission line and substation construction outsourcing arrangements under a newly established panel agreement with delivery partners to support efficient delivery of construction works
- proactive staff attraction and retention – including increasing early career apprenticeship and graduate programs

Impact of EBA's on ability to meet forecast capex and capex expenditure

Powerlink presented details on the Working at Powerlink Agreement during the December RPRG meeting with the information published on their website[11]. The agreement started in March 2024, and in November 2025, covered 1,865 (approx. 90%) of Powerlink's total employees. The four-year agreement will continue until near the end of year 1 of the 2027-32 period:

- the average employee cost will be 30% higher at the end of the new EBA compared to the last year of the previous EBA
- most of that cost increase was incurred in year 1 where the annual nominal wage rise of 4.5% combined with other benefits; subsequent annual wage rises were/are 4.5% in March 2025, 3.5% in March 2026 and 3.0% in March 2027
- the total cost of the EBA in the 2022-27 period is $48m above the cost already incorporated in the labour cost part of the opex trend component that varies between an annual real increase of 0.6% to 0.9%[12]
- the cost impact of the last annual 3% rise in March 2027 for the year to March 2028 results in a 0.4% real increase given the CPI assumption; the Proposal has a 1.1% real wages increase for 2027-28 financial year, and
- the ongoing productivity savings that Powerlink has achieved so far (March 2024-December 2025) total ~$20m/yr for the life of the EBA and this reduction is reflected in the 2025-26 base year for 2027-32; there is a target of $35.5m over the life of the EBA to February 2028 which is above the GOC target of $31.6m based on the requirement of at least 50% of the headline wage increase to be offset by productivity.

Insurance market volatility

Powerlink manages its insurance through a combination of three methods – commercial insurance coverage, self-insurance (to cover the cost exposure for the deductible amounts under the commercial policies) and pass through events with the mix of the three dependent on forecast insurance premiums. While insurance costs are higher than forecast for the current period, the rate of increase is expected to be lower in 2027-32 aligned with a 'softening' global insurance market. Powerlink has used a trend approach for 2027-32 rather than the category specific approach in 2022-27 for the first two methods. The end result is a total cost very slightly lower than by using Marsh forecast premiums.

RPRG comments

Overall we consider that Powerlink has provided an informative and well considered analysis of the operating environment challenges it and its customers face.

We are pleased to see the expanded sections on social licence and deliverability when compared with the Draft Plan discussion. While Powerlink has built non-regulated new network in recent years that has given it experience in social licence issues, it has not had to build the major projects that TNSPs in NSW

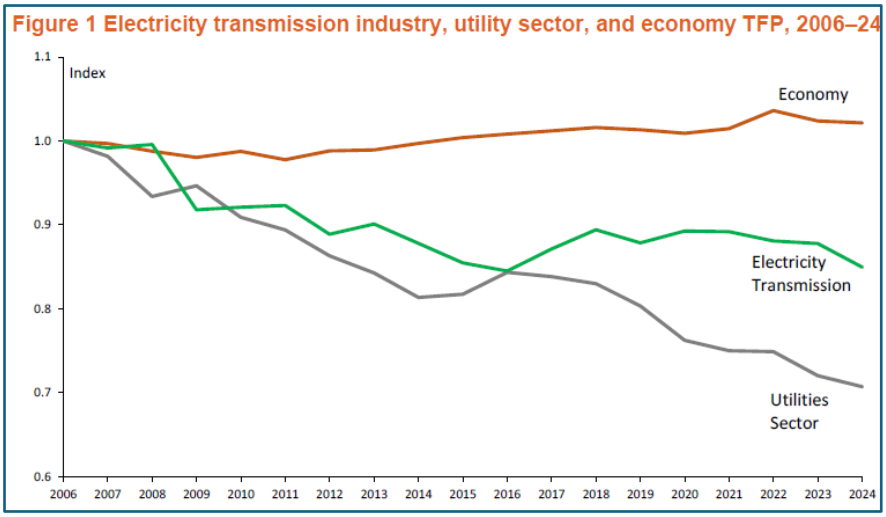
[11] Revenue Proposal Reference Group Meeting 11- Presentation- 11 December 2025.pdf
[12] See p. 18 https://www.aer.gov.au/documents/aer-powerlink-2022-27-draft-decision-attachment-6-operating-expenditure-september-2021

and Victoria are developing. This has allowed Powerlink to learn from that experience to better manage the substantial cost increases and social licence issues have been a major barrier to 'on budget' and 'on time' project delivery in southern states. The large increase in proposed easement expenditure in 2027-32 to support network build post 2032 is indicative of the pro-active response Powerlink is taking.

Our detailed comments in this section focus on productivity and EBA costs as a pointer to deliverability, a particular focus of the RPRG, that is discussed in more detail in Section 4 on Capex. We discuss insurance in Section 5 on Opex.

Forecast capex is considerably above the AER allowance for the current period and next period forecast is a large step up again. This is the same with all electricity networks in the NEM. Deliverability of that capex program is crucially dependent on a network's ability to improve its productivity and a large part of that is driven by the flexibility under their EBA.

There is currently a very close focus on Australia's recent poor productivity performance across the board and what to do about it. The AER benchmarking reports highlight not only the flatlining for the economy as a whole, but the even poorer performance of electricity transmission, particularly from 2020 to 2023-24, the latest data point[13]. Powerlink's productivity is lower now than in 2006 and has been declining since 2019. HoustonKemp[14] forecasts that its falling opex productivity, which drove the decline in total factor productivity in 2023-24, will continue in 2024-25 and 2025-26.



Powerlink is not only dependent on the productivity of its own employees and operations, it is also very dependent on the productivity of its contractors that build and maintain assets. On the latter, industry wide performance is also poor. Over the 29 year period from 1994-95 to 2023-24[15]:

- labour productivity grew just 17% vs 64% in 'market-sector' industries and 58% in manufacturing
- multifactor productivity is broadly unchanged.

[13] See p. 9 https://www.aer.gov.au/documents/aer-2025-annual-benchmarking-report-electricity-transmission-network-service-providers-november-2025
[14] https://www.aer.gov.au/documents/powerlink-2027-32-houstonkemp-appendix-503-efficiency-powerlinks-base-year-operating-expenditure-january-2026
[15] https://www.rba.gov.au/publications/other-confs/abs-and-rba-joint-conferences/2025/pdf/abs-rba-conference-2025-wilson-brooks.pdf

A recent Queensland Productivity Commission Report concluded that construction industry productivity declined by 9% since 2018[16].
The fact that the average employee cost increase of 30% over the life of the Powerlink EBA is well above the headline wage movements (16.4% in total) shows the importance of productivity benefits offsetting the full cost, not just the headline wages increase that are required under GOC wages policy. The ETU's view of the 2024 Powerlink EBA is that[17]:

> *"This campaign has delivered industry standard wages, with increases of up to 40% over four years, but just as importantly, it delivered industry leading conditions such as income protection, 14.75% superannuation, 10 days mental health leave,10 days reproductive leave, improved parental leave, ability to accrue unused reproductive leave, apprentice wages set at 60% for 1st year, 70% 2nd year, 80% 3rd year of the trade rate, overtime at double time, and the list goes on."*

Powerlink is not alone in the productivity challenge it faces eg the three-year EBA that Transgrid signed in mid-2024 has wage rises of 6.5%, 5.5% and 4.5% with additional contributions to superannuation totalling 1% over three years[18]- well above the AER's annual real labour cost rise in the Transgrid 2023-28 period that varied between 0.5% and 1.4%[19].

Rises under the Powerlink and Energy Queensland EBAs[20] have flow-on effects to the rest of the Queensland economy including those companies that provide contractor services to Powerlink.

In coming to the decision on when to finish its 2024 EBA negotiations, Powerlink made a judgement that it was not willing to endure the cost impact of additional protected industrial action that was delaying major projects. Powerlink was also very conscious of attracting and retaining the staff needed to deliver its capex and opex program. The Draft Plan said the EBA[21]:

> *"… reflects increasing demand for skilled labour in the energy sector and is critical to enable `Powerlink in securing and retaining the resources to deliver our capital and operating objectives."*

The ETU statement cited above agrees:

> *"When it comes to recruiting for unfilled vacancies across the industry this EBA will go a long way to addressing the critical attraction and retention issues."*

Powerlink still has some work to do to obtain the productivity savings to offset the 30% increase in total costs in the existing EBA.

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[16] https://www.treasury.qld.gov.au/newsroom/landmark-reforms-construction-industry/
[17] https://www.etunational.asn.au/2024/04/30/prior-planning-strategic-engagement-and-steely-resolve-provides-premium-outcomes-at-energy-queensland-and-powerlink/
[18] https://usu.org.au/transgrid-and-endeavour-australia-ea-update/
[19] See p. 16 https://www.aer.gov.au/documents/aer-transgrid-2023-28-draft-decision-attachment-6-operating-expenditure-september-2022
[20]See the discussion at pp 35-37 https://www.aer.gov.au/documents/eql-reset-reference-group-submission-tss-amendment-ergon-and-energex-6-february-2025-march-2025-0
[21] See p. 42 https://www.powerlink.com.au/sites/default/files/2025-09/Powerlink%202027-32%20Draft%20Revenue%20Proposal%20-%20September%202025.pdf

Powerlink's negotiations in 2027 for the next EBA will be within the constraint of the new State Government GOC wages policy announced in June 2025. That has a cap on nominal wage rises of 3.5%/yr with any rise above 1.5% requiring productivity offsets. Given the forecast CPI for 2027-32 of 2.60%[22] Powerlink considers the assumption of annual real labour cost increase of 1.1% from applying the AER methodology is reasonable. However it does not take account of the non-wage benefits that were a significant part of the current EBA.

While there may be less pressure from Powerlink's shareholders to do a deal in 2027 vs 2024, there will still be a trade-off between settling for a higher cost EBA vs the disruption to the works program from a prolonged negotiation process, extensive protected industrial action[23] and eventual Fair Work Commission arbitration – the route taken by Endeavour Energy, for example, in 2024-25[24].

The negotiation in 2027 on the next EBA is going to be in the same context as 2023-24:

- done at the same time as the Energy Queensland (Ergon and Energex) EBA negotiations (noting that Powerlink has its Maintenance Services Agreement with Ergon),
- a continued shortage of skilled labour, and
- a large infrastructure (not just energy related) build program especially in Queensland given it will be at the height of the Olympics build, but also in the rest of the east coast; this will again place limits on the ability of Powerlink to gain productivity offsets for pay rises.

We have already seen the likely ETU approach in 2027[25] on display in NSW where pattern bargaining will have a large impact on contractor as well as network labour costs. Then there is the AWU success for construction workers in Victoria[26].

All this puts enormous pressure on the productivity initiatives Powerlink has proposed to offset the full costs of the next EBA[27]. These initiatives are only presented at a high level with a lot of work to be done to pick and implement the winners. As we noted above, Powerlink highlights one important deliverability initiative to support workforce capacity and capability as consolidating transmission lines and substations construction arrangements under a newly established panel agreement with delivery partners to support the efficient delivery of construction works. This is expected to[28]:

> *"…to foster competitive tension, improve cost efficiency, and support timely execution of capital works across the regulatory period."*

However, Powerlink has informed the RPRG that these agreements do not have fixed unit rates. Each project is individually quoted by the panel and labour rates provided at the time ensure that the

[22] Proposal p. 116
[23] https://www.afr.com/work-and-careers/workplace/sparkies-industrial-action-spreads-as-intervention-bid-fails-20240814-p5k2bl
[24] https://www.endeavourenergy.com.au/about-us/newsroom/protected-industrial-action-ends
[25] https://www.afr.com/work-and-careers/workplace/union-pulls-trigger-on-industry-deal-promising-unprecedented-power-20251219-p5noxc
[26] https://www.afr.com/work-and-careers/workplace/360k-pay-to-work-on-rail-loop-amid-warning-cfmeu-given-green-light-20260224-p5o51a
[27] See Proposal Section 5.3.3 for initiatives to reduce opex; and Appendix 4.01 section 3.1.2 for examples of initiatives to reduce capex
[28] Proposal p. 17

conditions are not less favourable that Powerlink's internal conditions. If the productivity initiatives are not as successful as they need to be then there are large risks to Powerlink being able to deliver their approved capex and opex works program 'on time' and 'on budget' for 2027-32. Powerlink may again, as in the current period, choose to exceed its opex and capex allowances to cover the higher internal and contractor labour costs, but consumers are paying 70% of that overrun under EBSS and CESS.

3. Customer Engagement

RPRG Engagement

What we said in our Draft Plan comments:

Our assessment of the co-designed engagement plan against the AER's Better Rests Plan:

Nature of engagement - the 'how' of engagement

Powerlink has been sincere in its engagement starting with a comprehensive and collaborative co-design of the engagement plan with the key output being the 'Bubble Diagram' which has functioned as a roadmap for engagement with the Customer Panel and RPRG; Powerlink has been open to receiving feedback (both positive and negative) from customers and responding to that feedback; we welcomed Powerlink's decision to appoint an independent Chair of the Customer Panel members of the RPRG, its support for members having pre-meetings before each RPRG meeting and the comprehensive materials prepared for every RPRG meeting.

Breadth and depth of engagement

Powerlink has made conscious efforts to expand the breadth and depth given the 2022-27 RPRG criticism of the lack of breadth in Powerlink's engagement program. We noted several new elements eg extension of the annual Queensland Household Energy Survey[29] to include questions relevant to Powerlink's regulatory proposal, a survey of direct connect and C&I customers and the inaugural Central Queensland Transmission Network Forum. RPRG members felt comfortable challenging many aspects of the material discussed with Powerlink with requested information readily provided.

Evidenced impact of the engagement

The Draft Regulatory Proposal lists the areas where Powerlink had identified the impact that engagement to date has had on the Draft Proposal. RPRG generally agreed with these statements.

What Powerlink is now proposing

Powerlink has continued implementing the co-designed Engagement Plan.

RPRG comments

The RPRG commends Powerlink's collaborative approach to the 2027–32 Engagement Plan. Engagement has been deep and responsive, with Powerlink providing additional information as requested and enabling the RPRG to challenge aspects of the Proposal effectively. While the expansion

[29] https://qhes.com.au/

of engagement breadth has had mixed results, it represents a meaningful step toward broader participation, and the RPRG is satisfied the impact of engagement is reflected in the Proposal.

The RPRG remains mindful that it represents not only the Customer Panel but the wider Powerlink customer base. Surveys and stakeholder feedback, as noted on page 33 of the Proposal, show that customers value a balance between cost, reliability, resilience, and safety, alongside transparency on costs and benefits. The RPRG's role is to ensure these perspectives, across residential, commercial, industrial, and community stakeholders, are accurately reflected in decisions and advice.

A key example is price predictability. When Powerlink proposed an alternative approach to smoothing the indicative price path, the RPRG evaluated it with the broader customer base in mind and endorsed the method, ensuring stability while supporting deliverability of long-term investment. The RPRG's engagement highlights the value of structured, inclusive, and continuous dialogue in shaping a Proposal that reflects the priorities of all Powerlink customers.

In line with the AER's Better Resets Handbook, the RPRG recognises that genuine, ongoing customer engagement is central to developing high-quality revenue proposals. Overall, Powerlink's engagement for the 2027–32 reset reflects a clear evolution in maturity and alignment with the AER's Better Resets Handbook. The structured nature of the process, expanded breadth of participation, disciplined reference back to the agreed engagement scope, and demonstrable impact across key Proposal elements provide confidence that customer perspectives have been meaningfully integrated into the Proposal.

Throughout the process, Powerlink's engagement culture has been facilitative and meaningful. It is the RPRG's view that the business has exceeded the expectations of the Better Resets Handbook.

The RPRG makes further comment on each of the AER's Better Resets Handbook key criteria to assess engagement for the Proposal.

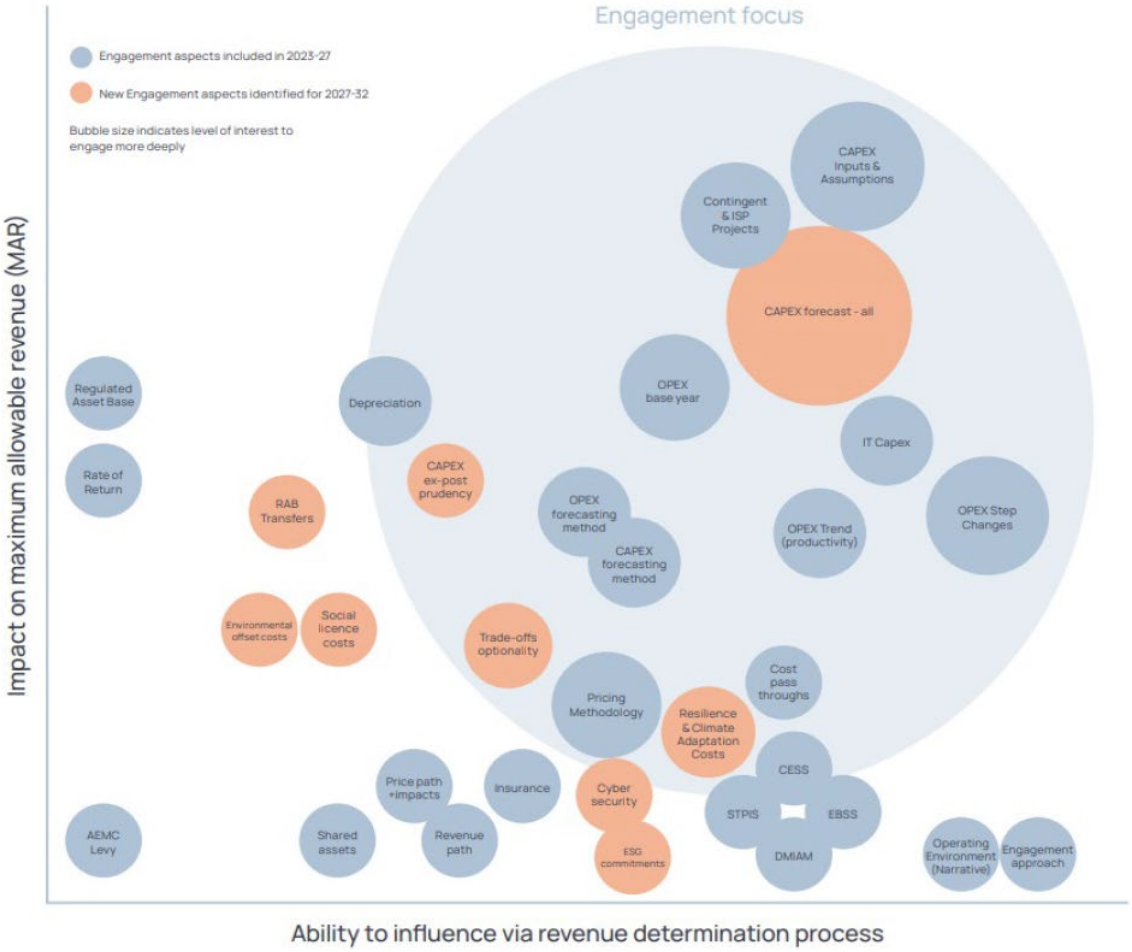
Nature of Engagement

The RPRG consider Powerlink Queensland have demonstrated a sincere and transparent approach to engagement throughout the development of its Proposal. Consistent with the expectations of the AER Better Resets Handbook (July 2024), RPRG engagement has been structured to be formative, collaborative and responsive rather than procedural.

Early discussions with the Customer Panel in March and June 2024 established transparency around timing, process and decision points. The subsequent co-design workshop in November 2024 was a critical foundation for the reset. By bringing together the Customer Panel, the AER, government representatives and other stakeholders, Powerlink enabled customers to participate in setting engagement priorities and clarifying the level of influence they could expect across key topics.

Figure 3.1 on page 22 of the Proposal titled 'the Engagement Scope' or referred to as the 'Bubble Diagram' was developed by Powerlink and has been central to this process. The RPRG has regularly referred back to this graphic throughout the reset to test whether engagement effort and influence have aligned with the agreed scope. It has functioned not merely as a visual aid, but as an accountability tool to continuously review impact and ensure that areas identified for deeper influence have received appropriate scrutiny.

Figure 3.1 - Engagement scope



The establishment of the RPRG in December 2024 strengthened the depth and independence of engagement. Monthly meetings, advance circulation of materials, publication of documents, site visits and Board and executive-level participation have reinforced transparency. The appointment of an independent Chair for Customer Panel members of the RPRG, together with remuneration arrangements enabling independent deliberation, further strengthened the integrity of the process. Collectively, these elements align strongly with the Better Resets Handbook's emphasis on clarity of influence, transparency and accountability.

Breadth and Depth of Engagement

While the Better Resets Handbook addresses the breadth and depth of engagement together, this submission considers them separately, as they represent two distinct—though closely related—aspects of the engagement process.

Breadth

Powerlink has also taken meaningful steps to broaden the reach of its engagement beyond core panel participants, responding constructively to feedback from the previous reset regarding limited breadth.

> *Our Customer Panel agreed with our overall self-assessment and suggested additional assessment information related to the nature of engagement and use of multiple channels. We accept the Customer Panel's views in relation to these matters, in particular*

the need for us to undertake greater breadth of engagement outside the Customer Panel and to further demonstrate this breadth of engagement[30].

The extension of the Queensland Household Energy Survey to include reset-relevant questions, the targeted survey of directly connected and commercial and industrial customers, and the inaugural Central Queensland Transmission Network Forum in Gladstone represent tangible efforts to diversify input channels. While some initiatives yielded modest participation, they nonetheless expanded the evidence base and provided useful directional insights.

Feedback gathered through these mechanisms consistently highlighted priorities including cost and price predictability, maintaining network reliability without unnecessary additional cost, and supporting electrification and emissions reduction. These insights have complemented the deeper technical engagement undertaken through the RPRG.

Importantly, the combination of broad-based surveying and detailed panel engagement reflects the Better Resets Handbook's expectation that networks balance representativeness with depth of deliberation.

Depth

As outlined under *Nature of Engagement*, the establishment of the RPRG has significantly deepened engagement between Powerlink and its customers. The RPRG brings together a small but diverse group of customer representatives with a broad range of skills and experience. This includes members with deep technical expertise in regulatory and energy market matters, alongside participants engaging in their first regulatory reset process. This diversity has enriched discussions and ensured a balance between technical scrutiny and broader customer perspectives.

The appointment of an independent Chair has also had a significant and positive impact on the effectiveness and depth of engagement in what is a complex and highly technical process. Beyond providing oversight, the Chair has played an important educational role for RPRG members, particularly those participating in their first reset. Through clear guidance and explanation, the Chair has helped ensure members understand the materials, their relevance, and the broader implications of decisions, while reinforcing the purpose and responsibilities of the RPRG. This support has enabled members to engage confidently, ask informed questions and provide meaningful feedback. As a result, the engagement process has been more structured and impactful, increasing the likelihood that stakeholder input is genuinely reflected in the Proposal.

The depth of engagement has been driven by both Powerlink and the RPRG. On many occasions, the RPRG requested further explanation or deeper analysis on particular topics, and Powerlink responded by incorporating these matters into subsequent meeting agendas and discussions. For example, the RPRG sought additional information on areas such as insurance, deliverability and other aspects of the Proposal. Powerlink consistently demonstrated openness and a willingness to provide the information and explanation required. Senior Powerlink staff attended meetings regularly and made themselves available to the RPRG, often bringing in additional subject matter experts to respond to requests for further clarification.

[30] https://www.powerlink.com.au/sites/default/files/2021-08/Response%20to%20Revenue%20Proposal%20Submissions.pdf

Powerlink's consistent approach to facilitating this level of engagement reflects leading practice in providing opportunities to engage at all points along the International Association for Public Participation (IAP2) spectrum driven by the ability of the RPRG to influence the outcome. What is significant for Powerlink was its willingness to expand the involvement at the involve/collaborate and even empower levels shown in Table 3.1 of the proposal, something we have not observed at any other network. This created an environment in which the RPRG could actively contribute to shaping recommendations and informing many elements of the Proposal. This depth of engagement ensured stakeholder perspectives were not only heard, but substantively integrated into, the decision-making process.

In the RPRG's experience, Powerlink supported this depth of engagement by providing comprehensive information, sufficient time for consideration, and direct access to subject matter experts. This enabled members to test assumptions, interrogate methodologies and explore alternative options in a meaningful way.

Clearly evidenced Impact of the Engagement

A central test under the Better Resets Handbook is whether engagement has demonstrably influenced outcomes. In this regard, there is clear evidence of impact.

As identified in Table 3.3 of the Proposal, stakeholder feedback has informed refinements across key components of the submission:

Capital Expenditure Sharing Scheme

Illustrative of the overall quality of engagement the RPRG has had with Powerlink, we had a productive and very collaborative discussion on Powerlink's proposed change. Powerlink accepted our position that any change to the AER standard approach should be considered in the context of a network wide review, not as part of a particular network reset.

Operating Expenditure Output

The RPRG provided critical oversight on Powerlink's proposed alternatives for measuring operating expenditure output growth in the 2027–32 draft Proposal and were given an 'empower' right under the IAP2 spectrum to determine Powerlink's approach. In November 2025, Powerlink presented several options aimed at better capturing the growing complexity faced by Transmission Network Service Providers, alongside the existing AER measure.

While the RPRG acknowledged the potential of these alternatives, it emphasised the need for an industry-wide review to ensure consistency and rigor across all network service providers. As a result, Powerlink has applied the AER's established output growth measures in this Proposal.

The RPRG's involvement ensured the decision was informed, deliberate, and aligned with best practice, while highlighting the importance of a broader review to refine output growth measurement for future regulatory periods.

Price Path

Customer priorities for price stability and predictability are clearly reflected in the proposed price path, particularly through smoothing measures and consideration of intergenerational impacts. The RPRG specifically sought this approach to avoid "sticker shock," in year 1 recognising the importance of predictable pricing for customers amid broader cost-of-living pressures. We also appreciate Powerlink

responding to our request to provide price path data including the syn cons contingent project and the Gladstone PTI project – discussed below in section 6.

Demand Management Innovation Allowance Mechanism

Similarly, engagement has contributed to clearer articulation of the Demand Management Innovation Allowance Mechanism (DMIAM), including recognition of the role of non-network solutions and flexibility as system needs evolve. The view of the RPRG that the DMIAM continue as a Business-as-Usual initiative was accepted by Powerlink and is reflected by Powerlink not seeking a DMIAM allowance in this Proposal.

There are two further areas not outlined in Table 3.3 the RPRG would like to make comment on in regard to evidence of impact:

Business narrative

The RPRG also placed importance on understanding the broader business narrative underpinning the regulatory reset and how this narrative would be communicated beyond the technical regulatory process. Members emphasised that while the Proposal is necessarily detailed and complex, it is equally important that the rationale for key decisions—and their implications for customers—can be clearly articulated to a wider audience.

This was considered particularly important in the current environment, where energy affordability and the cost of living are front of mind for many households and businesses. The RPRG noted that stakeholders will increasingly seek clear explanations of how network investments impact electricity prices, why those investments are required, and what benefits they deliver for customers and the energy system more broadly.

Powerlink took this feedback on board and strengthened the articulation of the business narrative throughout the Proposal. The RPRG considers that the Proposal now presents a clearer and more concise explanation of the key drivers, trade-offs and customer impacts, making the Proposal more accessible and easier for stakeholders to understand.

Deliverability

A consistent focus of the RPRG throughout the engagement process has been the deliverability and productivity of the proposed program of works. The RPRG emphasised that customers place a high value on Powerlink delivering projects on time and on budget, given the direct implications this has for the affordability of energy and the operational risks faced by large electricity users and connected businesses.

In response to these concerns, Powerlink dedicated a number of agenda items to exploring deliverability in greater detail. These discussions provided the RPRG with greater insight into how Powerlink is considering delivery risks, workforce capacity (including Enterprise Bargaining Agreements), supply chain constraints and the sequencing of investments across the regulatory period. Powerlink was responsive to the RPRG's requests for further information and facilitated deeper discussion to test assumptions and build understanding of how the proposed program could be delivered in practice.
This focus reflects the strong customer interest in ensuring that the proposed program is both ambitious and achievable, and that productivity improvements are continually pursued to minimise cost impacts for consumers. Further commentary from the RPRG on deliverability and productivity is provided throughout this submission.

Improvement opportunities

The Proposal outlines four areas for improvement in future regulatory resets:

1. Continue to build Customer Panel confidence in the revenue determination engagement process, transparency and accountabilities
2. Extend timeframes for RPRG and Customer Panel to process and respond to key documents
3. Facilitate additional in-person engagement with existing customer cohorts to obtain broader feedback on key documents and decisions, and
4. Ease the burden for customers by amalgamating Proposal surveys with existing data collection conducted.

The RPRG agrees with these identified areas of improvement. The RPRG had a number of discussions on succession planning for future regulatory resets and implores Powerlink to ensure a level of continuity of the RPRG and an independent Chair.

4. Capital Expenditure

What we said in our Draft Plan comments

We highlighted the significant increase in capex in the current and forecast periods. We noted that it is the AER's role to assess prudency and efficiency with our focus on understanding the main capex drivers, the forecasting methodology used and how Powerlink has addressed the risks we see consumers facing over 2027-32. We raised questions and challenged Powerlink to improve its explanation and consumer understanding of why such a large increase in capex spend is justified. This approach led us to engage deeply with Powerlink on five topics for further engagement in the lead-up to publishing the Proposal:

- capex forecasting methodology – we concluded the recent move to a two-stage approval process was likely a good improvement and sought further data on its impact; we discussed the choice of AACE class used for project approval and asked whether the traditional approach of no portfolio risk contingency amount ('unders' and overs' in project costs are assumed to balance out) is still appropriate in the current increasing cost environment
- deliverability – this referred to both 'on time' and 'on budget'; we noted the relatively small section in the Draft plan on deliverability and the need for more analysis/explanation; we noted the significant increase in capex spend in the last two years of the current period and first year of the forecast period
- impact of the EBA – our concern was the current EBA (which ends in 2028) had labour cost increases well above the 1.1%/yr labour cost increase under the AER methodology for 2027-32; negotiations for the next EBA would be in 2027
- the proposed change in the CESS calculation – we had only preliminary discussion on this proposed change to take account of cost increases outside of Powerlink's control
- the ex-post review – we had only preliminary discussions on Powerlink's view that an ex post review is not required; we raised a number of questions for further discussion
- the impact of projects currently outside of the Proposal – this covered contingent, PTI and ISP projects that combined had an estimated capital cost of multiple times the proposed ex ante capex; recommended Powerlink provide more information on their potential impact on MAR and consumer prices.

What Powerlink is now proposing

The table summarises the AER allowance and actual and forecast spend for the current period and forecast spend for 2027-32.

	2022-27			2027-32		
$2026-27m	AER allowance	Actual / Forecast	% change vs allowance	Forecast	% chg vs 2022-2027 AER allowance	% chg vs 2022-2027 Actual / Forecast
Draft Plan	$1,074.7	$1,653.9	+54%	$2,796.7	+160%	+69%
Proposal	$1,081.0	$1,504.5	+39%	$2,499.5	+131%	+66%

Forecast expenditure in the current period is significantly above the AER allowance (leading to a CESS penalty) and forecast expenditure for 2027-32 is a further significant increase. There are two main changes from the Draft Plan:

(i) the reduction in forecast 2027-32 capex compared to the Draft Plan is mainly due to the removal of four syn cons capex as it will be submitted as a contingent project later in 2026; the AER approved capex will still be spent and the relevant cost be reflected in increased MAR; there was also an increase of $141m in easement purchases required for future capex projects.

(ii) following a review of needs and deliverability and finalisation of detailed estimates, the spend profile changed to reduce the level of expenditure in years 1, 2 and 3 and increase it in years 4 and 5; this is to ensure that there are sufficient internal Powerlink resources to commission the syn con and Gladstone PTI projects.

Table 4.8 - Forecast capital expenditure comparison ($million real, 2026/27)

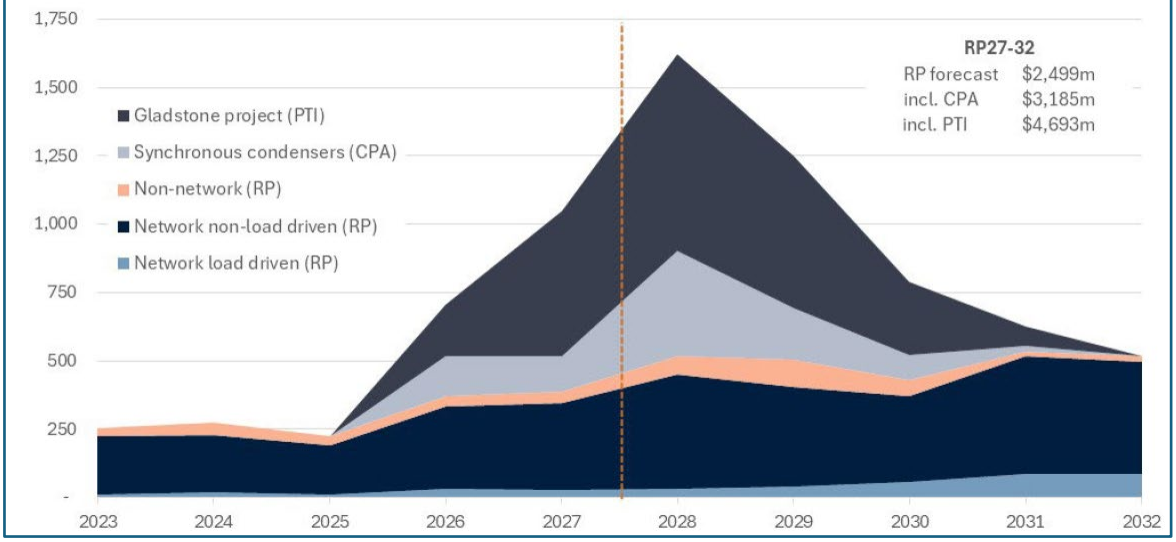
	2028	2029	2030	2031	2032	Total
Draft Revenue Proposal	795.3	619.1	589.6	483.3	324.4	**2,796.7**
Revenue Proposal	516.3	503.5	428.3	535.4	516.0	**2,499.5**
Difference	(279.0)	(115.6)	(161.3)	67.0	191.6	**(297.2)**
Difference (%)	(35%)	(19%)	(27%)	14%	59%	**(11%)**

The significant capex increase from the current period forecast is driven by the factors discussed above in Section 2 on the business operating environment- significant increase in the cost of major plant and equipment and skilled resources seen in the current period combined with meeting the needs of an increasingly complex network. The major category is 'network – non-load driven' ie replacement capex, which makes up 78% of total capex and is a 58% increase on forecast expenditure in the current period.

$2026-27m	Actual/forecast 2022-27	Forecast 2027-32	$ increase	% increase
Network – load driven	$92.9m	$300.9m	$208.0m	224%
Network – non- load driven	$1,230.5m	$1,939.3m	$708.8m	58%
Total network	$1,323.4m	$2,240.2m	$916.9m	69%
Non-network	$181.1m	$259.2m	$78.1m	43%
Total	$1,504.5m	$2,499.5m	$995.0m	66%

Powerlink set out their deliverability assessment in Appendix 4.09 with the following spend profile for ex ante capex plus the syn cons and Gladstone PTI.

Figure 2 - Total regulated capital expenditure including CPA and PTI ($million real, 2026/27)



Following detailed engagement with the RPRG Powerlink is taking to underpin overall deliverability include:

- twelve projects ($214.9m) have been deferred from the current period to 2027-32 on the basis of 'reprioritisation, considering deliverability and risk'
- evaluation of project requirements by regions, especially Central Queensland, to manage the geographical availability of contractor and internal resources
- shifting the 2027-32 expenditure profile between different project categories depending on the specific resources required eg given the need to draw on internal Powerlink resources for network integration and commissioning, ex ante capex falls in 2029-30 to ensure these internal resources are available for commissioning the Gladstone PTI and syn con projects
- expanding the regional workforce with a new office in Gladstone – there is a significant increase in the value of works to be completed in central Queensland with the Gladstone PTI project
- increased sophistication in managing the portfolio of capital works in response to emerging risks, resource capacity and utilisation and availability of network access
- consolidating transmission lines and substations construction arrangements under a newly established panel agreement
- leveraged relationships with suppliers to secure new manufacturing capability to reduce lead times and procurement costs.

There are nine contingent projects that have a total estimated cost range of $2,440-$4,320m. These will only proceed if defined drivers, or triggers, are met – covering local demand increase and/or generation reduction – and the projects successfully pass a Regulatory Investment Test for Transmission (RIT-T) and the Contingent Project Application to the AER.

Capital Expenditure Sharing Scheme (CESS)

Following feedback from the RPRG, Powerlink have adopted the standard CESS methodology. This has a carryover MAR reduction of $136.4m as a result of the forecast capex overspend in the current period. This is slightly above the Draft Plan figure of $121.6m.

Ex post review

Under the AER's Capital Expenditure Incentive Guideline[31] it can review historical capex overspend for prudency and efficiency before deciding whether to roll it into the RAB. This is referred to as an 'ex post' review. In Powerlink's case this refers to actual capex in 2020 -21 to 2024 -25. Powerlink argues that the 6.3% overspend in that period is not material and hence no ex post review is required.

Table 4.5 - Capital Expenditure – ex post review period ($million, nominal)

	2021	2022	2023	2024	2025	Total
AER Allowance	185.5	179.7	209.3	239.9	184.9	**999.4**
Actual	180.5	201.7	221.8	250.6	208.2	**1,062.8**
Difference	(5.1)	22.0	12.5	10.7	23.2	**63.4**
Difference (%)	(3%)	12%	6%	4%	13%	**6.3%**

RPRG comments

Given the AER's role to assess prudency and efficiency, we did not undertake any detailed review of business cases. Our focus in the capex discussion begins with our views on:

- two factors that we think the AER should take into account when assessing that prudency and efficiency – the asset investment review and capex forecasting methodology and cost estimation, and
- one factor the AER should take into account once prudency and efficiency has been assessed – deliverability.

These three factors are inter-related. A fourth related factor, the risk of labour costs much higher than the proposal assumes, was discussed in Section 2.

We then comment on two categories of capex that were the subject of targeted engagement by the RPRG – syn cons and substation physical security. Finally, we discuss the ex post review and recommend Powerlink consider the potential for stranded assets associated with fossil fuel industries in its assessment of contingent projects.

Impact of the Asset Investment Review

The review arose out of a commitment Powerlink made as part of the 2022-27 reset. This review was undertaken by a review committee that included members of the current RPRG as well as the CCP and the AER as an observer. Powerlink has applied the review's conclusions in forecasting a major part of

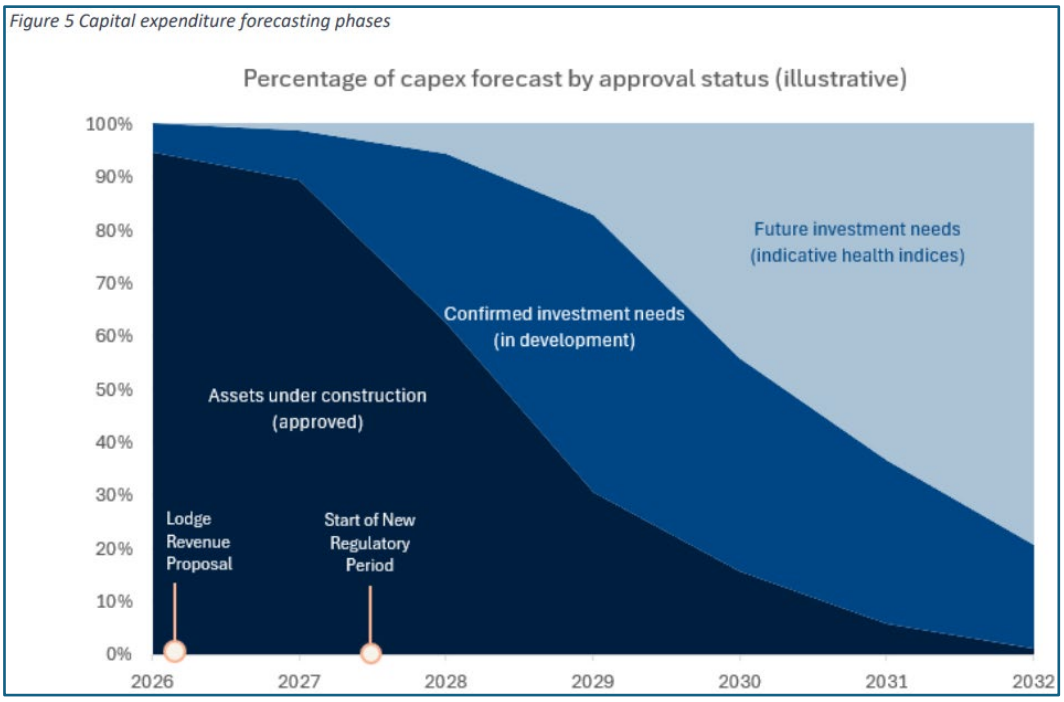
[31] https://www.aer.gov.au/system/files/2025-08/AER%20Capital%20Expenditure%20Incentive%20Guidelines%20-%20August%202025.pdf

repex covering overhead transmission lines. We recommend that the AER look closely at how the review's recommendations have been applied and the benefits reflected in proposed capex.

Capex forecasting methodology and cost estimation

We engaged extensively with Powerlink on this issue and appreciate the focus they are bringing. The timetable for preparing a Proposal requires the network to estimate capex up to 7 years out. This means the level of cost accuracy decreases the further out the project timing. Powerlink provide this visual representation of their approach[32]:

Figure 5 Capital expenditure forecasting phases



The capex forecast is a combination of concept estimates based on a range of options and project proposals based on one option using the AACE framework.

Capable of Acceptance Criteria ✓ – expected assessment o – optional assessment	Powerlink	AER	Customer Panel
Nature of engagement	✓	✓	✓
Breadth and depth	✓	✓	✓
Clearly evidenced impact	✓	✓	✓
Proof point	✓	✓	o

Of the Proposal's 40 project packs and 65 estimates, only around six are Class 3 with the remainder Class 5. There is no contingency allowance, unlike what AusNet Services recently proposed and which was rejected by the AER in its Draft Decision[33]. While the capital expenditure forecast is described as

[32] See p. 16 Appendix 4.03

[33] See pp 24-5 https://www.aer.gov.au/documents/aer-attachment-2-capital-expenditure-draft-decision-ausnet-services-distribution-determination-2026-31-september-2025

'hybrid' ie a combination of top down/trend analysis and detailed bottom up methods, over 90% is based on bottom-up estimates based on a preliminary scope (most estimates are Class 5). All projects will subject to full options analysis during the period prior to being considered for approval.

Powerlink has implemented a two stage approval process in the last few years with Stage 1 costs at Class 5 and Stage 2 (project approval) of at least at Class 3. The internal asset planning and investment criteria include detailed consideration of lessons learnt from recent similar projects with extensive use of Post Investment Reviews. This new process has given Powerlink confidence that the cost estimate ranges and delivery timelines are robust and that the risk of overspend are reduced and we comment on this further below.

Our high level review supports this conclusion. Nevertheless we consider that risks still remain and it is an issue we recommend that AER review closely given the cost pressure Powerlink highlights in its discussion of the operating environment. Even if the cost estimation at project sanction is robust, that robustness is based on its deliverability profile. A slippage in that can have large impact on final cost as the AER has seen in many recent large projects eg Marinus where it required a Class 2 estimate before it would assess prudency and efficiency[34].

Deliverability

We define 'deliverability' as both 'on time' and 'on budget' for a project. It has been a key issue for the RPRG for many reasons- the large increase in forecast capex, well publicised deliverability problems for other TNSPs, and forecast resource constraints on infrastructure delivery across the east coast covering not just the energy transition[35]. In Queensland there is also delivery of the Olympics build. We highlighted the issue in our Draft Plan submission and we appreciate Powerlink's detailed engagement with us since then as well as the information provided in the Proposal as we have sought to understand what the risks are and how Powerlink are addressing them. Powerlink submits that it will be able to deliver its proposed capex. The AER's consideration of deliverability will be after it has assessed the prudent and efficient capex, which may be less than Powerlink's proposal. That assessment must also include what impact possible contingent projects might have on ex ante capex deliverability.

We comment on two aspects:

(i) Historical ex ante capex deliverability

Powerlink has provided the RPRG with detailed data on project delivery of load and non-load driven regulated network capex (88% of forecast 2023-27 capex and 90% of forecast 2027-32 capex) over recent years covering whether it was/is 'on budget' and 'on time' by project capex value range. The first table below summarises the situation at the end of January 2026:

[34] https://www.aer.gov.au/system/files/2024-12/Marinus%20Link%20-%20Revised%20Commencement%20and%20Process%20Paper%20-%20December%202024.pdf

[35] Eg Infrastructure Australia Delivering Net Zero report from August 2025 highlighting workforce constraints https://www.infrastructureaustralia.gov.au/delivering-net-zero-infrastructure-workforce-report and its November 2025 Infrastructure Market Capacity Report https://www.infrastructureaustralia.gov.au/2025-infrastructure-market-capacity-report

Regulated Network Capital Projects Performance

Value range	Total Approved Value	In delivery		Last 2 years		Difference	
		On time	On cost	On time	On cost	On time	On cost
<$7M	$272m	75% (33/44)	89% (70/79)	89% (24/27)	100% (27/27)	14%	11%
$7M>$35M	$1,117m	67% (18/27)	61% (40/66)	80% (4/5)	80% (4/5)	13%	19%
$35M>$70M	$156m	50% (1/2)	25% (1/4)	-	-	-	-
$70M>$120M	$70m	100% (1/1)	100% (1/1)	-	-	-	-
>$120M	$411m	100% (1/1)	100% (2/2)	-	-	-	-
OVERALL		72%	75%	88%	97%	16%	22%

- the cost ranges reflect internal Powerlink approval delegations
- 'In delivery' refers to all projects that were being delivered and which were approved over a number of years previously
- 'Last 2 years' is a subset of the 'in delivery' total referring to projects that have been approved since the introduction of the two stage approval process and other project management initiatives, and
- the numbers in brackets are the number of projects in each value range eg 33 of the 44 (75%) projects that are <$7m in value are 'on time'; the numbers of projects in the 'on cost' column are higher than the number of projects in the 'on time column' because the former includes projects that were closed out during the period ie they were not 'in delivery' at the end of January.

The table shows:

- the dominance of lower value (less than $35m) projects, many of which are 'repeatable' projects, by number (72%) and value (69%), and
- the improvement in 'on time' and 'on cost' performance in the last two years.

This improved performance has been helped by the low level of augmentation capex, forecast to be only $59.6m or 4% of total capex in the current period. This is a major area of deliverability risk in other jurisdictions due to access delays, easement uncertainty, weather and supply chain pressures.

The second table below shows the total capex by value range for proposed 2027-32 projects. There is a wider spread of project values with projects <$35m being 72% by number and 37% by value. Also this list excludes business IT ($27.4m), Virginia site redevelopment ($150m), syn cons ($685m) and Gladstone PTI ($2,333m).

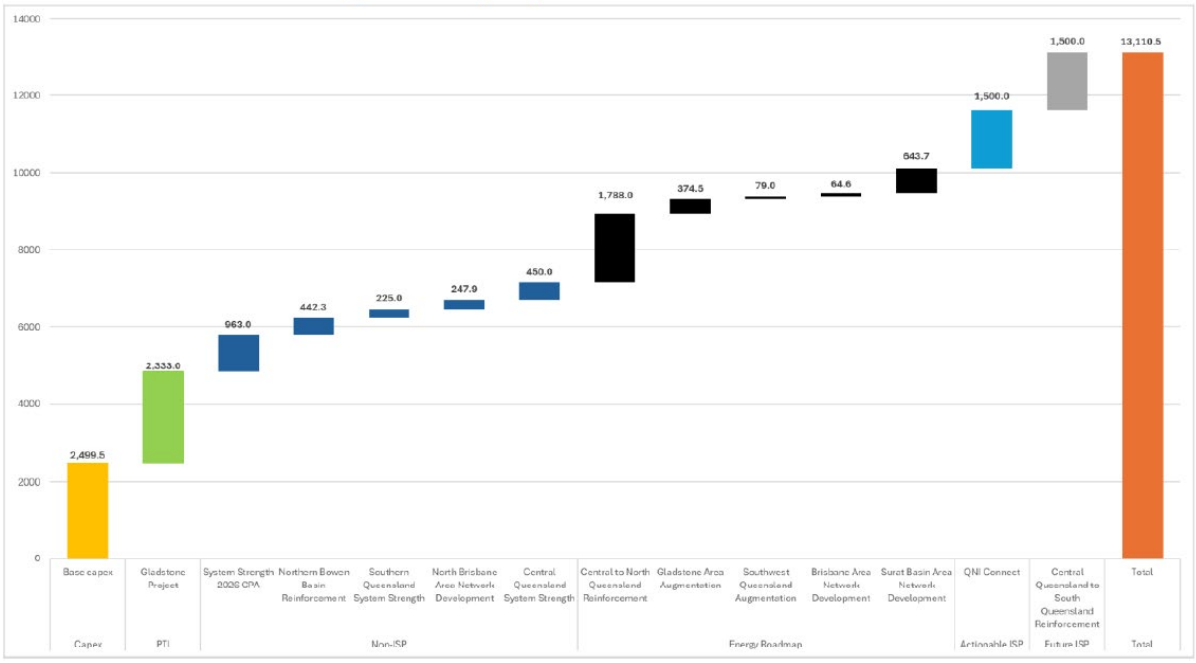
Value range	Total Forecast Value	Projects
<$7 million	$71m	17
$7m>$35m	$659m	33
$35m>$70m	$765m	15
$70m>$120m	$173m	2
>$120 million	$305m	2

Powerlink has recognised the risks of a different project mix in 2027-32 and sought to mitigate that risk with a range of measures mentioned above.

(ii) Forecast deliverability assessment

The AER Issues Paper has the following Figure to illustrate why it is focussing on deliverability.

Figure 11 Powerlink's probable capex over the next 10 years – includes ISP-related and Energy Roadmap capex*



We note that the potential total cost of these additional projects is multiple times the forecast $2.5b ex ante capex.

Project category	Indicative total capital cost ($2026-27m)		
	2022-27	2027-32	Total
Projects that are expected to be approved: • Synchronous condensers • Gladstone PTI	$278m $689m	$685m $1,644m	$963m $2,333m $3,296m
Nine contingent projects including some in the Draft 2026 ISP		$2,440-4,320m	$2,440-4,320m
Sub-total of Powerlink projects	**$963m**	**$4,768-6,648m**	**$5,731-7,611m**
CopperString[36] - a PTI project to be developed by the Queensland		$13,900m	$13,900m

36 https://statements.qld.gov.au/statements/102354#:~:text=CopperString%20full%20cost%20revealed%20as,connections%20required%20for%20the%20project.

Investment Corporation[37], not Powerlink			
Total	**$963m**	**$18,668-20,548m**	**$19,631-21,511m**

Powerlink is concerned at the potentially misleading impression given in the Figure. While Powerlink has assessed each contingent project as 'probable' (noting that the rules do not have a deterministic definition of 'probable'), they argue that this does not mean that it is 'probable' that all will proceed over the next 10 years at the current upper bound cost. Also they note that the final 2026 ISP may bring a change in the list of ISP projects.

The syn cons and the Gladstone PTI are certain to proceed. Given the latter is a PTI project, the level of capex that goes into the Powerlink RAB will be decided by the Queensland Energy Minister. If that decision is made prior to submission of the Revised Proposal in December 2026 then that cost will be included in ex ante capex.

Powerlink provides a qualitative deliverability assessment in Appendix 4.09. The RPRG was presented with the results of a quantitative assessment using Powerlink's Delivery Optimisation Framework. This covered ex ante capex plus forecast non-regulated works but not syn cons, Gladstone PTI, contingent and ISP projects or the potential impact of Copperstring being concurrently constructed by the QIC. This concluded that rescheduling two non-regulated projects due for completion in December 2027 resulted in 100% deliverability. Powerlink believes that its forecast of non-regulated projects is reasonable. The RPRG is aware of supply chain and other pressures that may constrain renewable project development over the period.

Powerlink's proposition is that it has taken the correct approach in assessing deliverability based on the following logic flow:

- the program of works is not a stretch target – work volumes are consistent with the current period, with targeted increases for certain work types
- apex deliverability will not be impacted by opex delivery – opex workload over a five year period is steady and predictable and hence doesn't impact on the deliverability assessment
- the (contractor) resources required for syn cons and the Gladstone PTI are quite different to the resources required for ex ante capex especially replacement capex (repex)
- while CopperString may rely on similar contractor resources to the Gladstone PTI, Powerlink considers its established contractor relationships and resource planning provides sufficient capacity to deliver the works it is responsible for
- the delivery profile has been adjusted to ensure the in-house resources are available for commissioning the syn cons and the Gladstone PTI[38]
- Powerlink has proposed nine contingent projects to allow for uncertainty of future transmission development requirements; they plan for these projects to go through the NER process, including a RIT-T and a contingent project application, should they be required
- projects have multiple triggers; while the triggers are probable within the period, the timing of the triggers and the scope, timing and cost of the final solution are less certain; e.g. in the five revenue proposals Powerlink has lodged since 2002 there have been 33 contingent projects proposed:

[37] https://www.treasury.qld.gov.au/newsroom/energy-road-map-copper-string/

[38] Powerlink 2027-32 Revenue Proposal- Appendix 4.09 Deliverability Assessment- pg10

- only one project has been triggered and this project was not a Powerlink project but one proposed by the AER (a component of the South Pine – Sandgate project[39])
- only one of the 33 projects has proceeded as an ex ante investment in a subsequent period - QNI minor upgrade; this was proposed in 2007, 2012 and 2017 before being completed as a small ($2.5m) investment in 2017-22 as minor works in the QNI upgrade where the majority of works were completed by Transgrid following a RIT-T
- one project – QNI Upgrade – was proposed as a contingent project in the 2007-2012 Revenue Proposal a RIT-T was commenced and the final recommendation was to 'do nothing'[40].

Due to this uncertainty, Powerlink has not included these proposed contingent projects in its deliverability assessment. The Energy Roadmap is not expected to increase the likelihood of contingent projects progressing through NER process to a contingent project application.

(iii) Summary

On the basis of our high level review we consider that Powerlink has made a reasonable case for its approach to concluding that it will be able to deliver its ex ante capex program in 2027-32. Nevertheless, considerable risks remain around supply chain constraints on resources and cost pressures, particularly if even only a couple of the high cost contingent projects proceed and costs increase greater than expected. For example the syn cons capex increased from $628m in the Draft Plan to $963m in the Proposal. Powerlink advised that:

> *"The increase in the capital expenditure compared to the draft Revenue Proposal reflects the inclusion of risk and contingency in the costs. This was included to provide a realistic pricing impact for customers."*

It remains to be seen what measures Powerlink uses to give consumers confidence that it has deliverability under control. We should be cautious about some measures used by other networks to convince consumers they have a handle on deliverability. For example, Transgrid have sought to address their customers' concerns about their budget and timetable for construction of Project Energy Connect through a claim that 'we have a fixed price contract'[41]. But that is not effective for consumers if the contractor threatens to walk away from the deal. Now we have Transgrid applying to the AER for consumers to pay another $1.14b because there was no effective 'fixed price'[42].

We recommend that the AER closely examine Powerlink's deliverability claims for what it determines as the prudent an efficient capex. The RPRG intends to engage with Powerlink in the lead-up to the Revised Proposal to seek to come to a shared understanding of what projects in an updated Figure should be included in assessing deliverability and to present a price path sensitivity including those projects. We recommend that the AER do the same as it assesses the capex deliverability.

[39] https://www.aer.gov.au/industry/networks/contingent-projects/powerlink-contingent-project-south-pine-sandgate-2007
[40] https://www.powerlink.com.au/2012-2014-qni-upgrade-study
[41] https://www.transgrid.com.au/media-publications/news-articles/energyconnect-update/
[42] https://www.aer.gov.au/industry/registers/determinations/transgrid-determination-2023-28/update-application-reopen-capex-project-energyconnect

Syn cons

Powerlink completed a Regulatory Investment Test for Transmission (RIT-T) for System Strength in July 2025, recommending investment in up to nine synchronous condensers across Central and Southern Queensland by June 2034[43]. While Powerlink will submit a contingent project application for four syn cons to the AER later in 2026it has already signed the contract with Hitachi for their supply to lock in a delivery date[44]. While the RiT-T assessed the various options before concluding that syn cons were the best option, we would recommend that the application to the AER include sensitivity testing on the impact of possible asset stranding on the business case. Syn cons have an asset life of ~20 years and technology is moving fast. Other options eg grid forming inverters might become a technical and economic substitute well before the end of the syn con asset life. This sensitivity testing will give consumers some idea of the stranded asset risk they might bear.

The RPRG looks forward to further engagement with Powerlink as it develops its application.

Substation physical security

Powerlink propose expenditure of $166.8m for security/compliance programs with the major category of expenditure ($146.6m) on substation physical security. The business case is presented in a Project Pack[45]. Understandably much of the detail is redacted and the RPRG does not have access to the redacted parts. We recommend that the AER, which we expect will have access to the redacted sections, has a close review of this expenditure category and the justification including, for example:

- Energy Networks Australia (ENA) DOC 015-2022 – *National Guidelines for the Protective Security of Electricity Networks*
- the basis for the 'levels of intrusion' in Section 4.4.1
- the percentage reduction in 'events' in Section 4.4.2

Ex post review

This was an area of detailed engagement post the Draft Plan. Our concern was that the re-calculation of the actual expenditure through a re-application of the cost allocation methodology between regulated and unregulated costs required a lowering of the AER allowance as the benchmark for the above overspend calculation. This engagement has led us to see that is not the case. We leave the AER to assess Powerlink's position on the level of overspend.

Stranded asset risk and accelerated depreciation

We think that the issue of stranded asset risk will increase in importance given the expectation that the coal mining industry will reduce its scope of operations in the future. We are seeing regular reports of mines reducing production or closing[46]. To illustrate the issue we cite the example of the

[43] https://www.powerlink.com.au/addressing-system-strength-requirements-queensland-december-2025
[44] https://www.powerlink.com.au/news-media/new-synchronous-condensers-strengthening-central-queensland

[45] https://www.aer.gov.au/documents/powerlink-2027-32-substation-security-uplift-investment-case-november-2025
[46] Eg https://www.theaustralian.com.au/business/mining-energy/receiver-kordamentha-takes-control-of-vitrinite-assets-in-the-bowen-basin/news-story/aeb11927e2e0397cc70c0b785f08c8c0

Northern Bowen Basin reinforcement[47] a proposed contingent project[48]. It mentions the potential large increase in demand from electrification of mining operations but does not discuss the potential for mines to close or significantly reduce their scale offsetting the need to augment. The project involves a new high capacity 132kV double circuit line between Nebo and Moranbah substations that has an asset life of around 50 years and an indicative Class 5 cost of $442.3m. The main trigger for the project is (p.13):

> *"Customer commitment of additional load in excess of 30 MW to be supplied through the 132kV network between Lilyvale, Nebo and Strathmore"*

The realisation of this trigger which would start a RiT-T process. This would assess a range of future demand scenarios and possible network and non-network options to meet forecast demand. Powerlink have informed the RPRG that these future demand scenarios would include consideration of how long any increased load might continue compared to the life of any new assets built ie consider stranded asset risk.

The same stranded assets issue could well arise in the medium term with Surat Basin shared assets built to service the LNG exports. While the locational pricing methodology may mitigate some of that risk (ie the coal and gas industries make a larger contribution to shared costs than otherwise), we recommend that Powerlink closely monitor the potential impact of a scaling back of coal and gas operations on all customers prior to the end of shared asset life.

Powerlink has decided to not apply any accelerated depreciation in 2027-32 even though some assets meet the criteria for accelerated depreciation[49]. These assets are mostly CT transformers that have required mid-life replacement. Powerlink's approach is that even though the total residual asset value for these assets in the RAB is relatively small, their focus is on minimising customer price increases rather than applying accelerated depreciation.

5. Operating Expenditure

What we said in our Draft Plan comments

Powerlink's 'constructive discomfort' approach to 2022-27 opex meant that there was already considerable risk of not being able to achieve the stretch targets even in the absence of the then unknown impact of the Ukraine war and other cost factors discussed in Section 2 above. The AER will be assessing whether a more measured and 'less stretch target' approach for 2027-32 meets their expenditure guideline[50]. We commented on each part of the 'base, trend, step' methodology.

Base year efficiency

[47] https://www.aer.gov.au/documents/powerlink-2027-32-northern-bowen-basin-area-plan-report-january-2026
[48] See pp. 10-13 3 https://www.aer.gov.au/documents/powerlink-2027-32-appendix-404-contingent-projects-january-2026
[49] Chapter 9 Section 9.4
[50] https://www.aer.gov.au/documents/aer-expenditure-forecast-assessment-guidelines-october-2024

The latest results then available (2022-23[51]) showed Powerlink as fourth of the five TNSP based on opex multilateral partial factor productivity (MPFP) with a large spread of results among the five TNSPs. The results for 2022-23 showed a continuation of the deterioration in productivity seen in previous years. In a report prepared for Powerlink, HoustonKemp forecast that trend would continue for at least 2024-25 and 2025-26 (the proposed base year). We wondered if 2025-26 would be judged 'materially inefficient' and require a base year adjustment as Ergon experienced for its 2025-30 reset.

Trend

We expressed our concern about Powerlink seeking to prosecute a change in the methodology to determine the 'output' component through its Proposal rather than it being part of a network wide evaluation. While we could see merit in the revised approach, we saw a network wide guideline review process would provide a better context for stakeholders to consider a wide range of possible measures in a transparent way.

On labour costs we highlighted the risks Powerlink faces given the current EBA will be up for re-negotiation in 2027 with the next agreement covering the majority of the forecast period. This brought our focus to productivity measures that will offset labour costs increases that may well be above the 1.1% annual real growth using the standard AER methodology. We looked forward to further discussions on what productivity measures would be implement in the forecast period. Current period measures were estimated to deliver ~$13m in savings in the current period plus $15m in avoided costs.

Step changes

We looked forward to further discussions with Powerlink on possible trade-offs with control room operator risk being removed were the new 'output' measure approved.

What Powerlink is now proposing

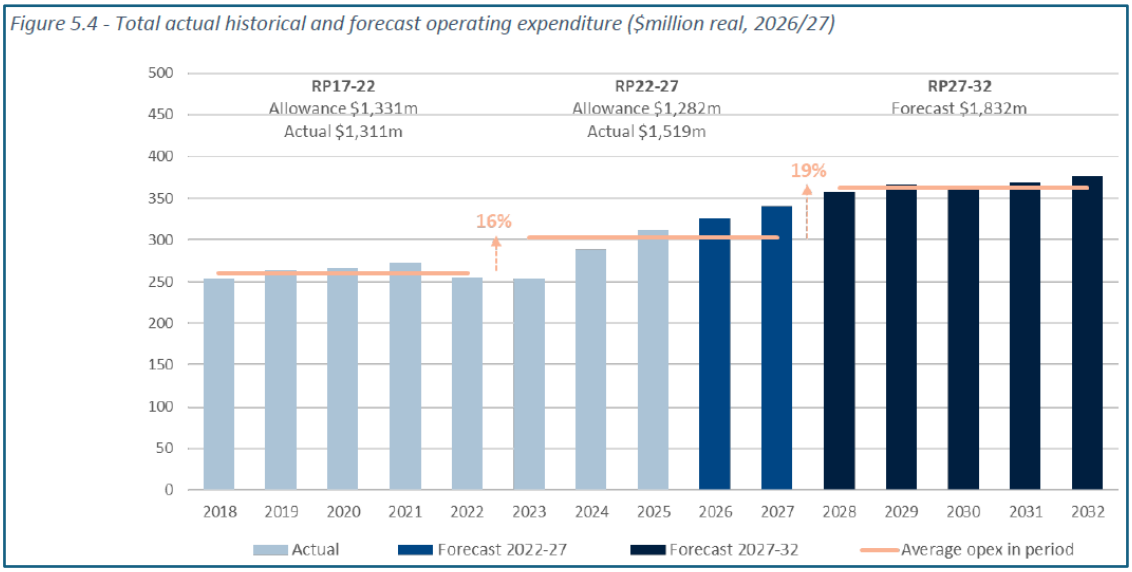
Powerlink continues to apply the standard AER base, trend, step methodology ie set an efficient cost level for the base year, then add on costs reflecting higher output and labour and materials costs, then subtract costs reflecting productivity gains and finally add costs for specific 'step change' factors and category specific costs. The table summarises the AER allowance and actual and forecast spend for the current period and forecast spend for 2027-32.

$2026-27	2022-27			2027-32		
	AER allowance	Actual / Forecast	% change vs allowance	Forecast	% change vs 2022-2027 AER allowance	% change vs 2022-2027 Actual / Forecast
$2026-27m[1]	$1,263.8	$1,517.2	+20%	$1,810.2	+43%	+19%

1. Excludes debt raising costs

[51] https://www.aer.gov.au/industry/registers/resources/reviews/annual-benchmarking-reports-2024

Figure 5.4 - Total actual historical and forecast operating expenditure ($million real, 2026/27)



Historical expenditure for 2022-27

The 20% overspend on the AER allowance has been due to the dramatically different operating environment than what was expected in 2021 as we discussed in Section 2. Productivity initiatives have offset a small part of these cost pressures- $5.6m reduction on average per year- reducing the forecast overspend to $253m.

Base year

Powerlink propose 2025-26 (year 4 of the current period) as the base year reflective of an efficient level of expenditure. An analysis of the 2023-24 AER benchmarking report[52] and an updated report from HoustonKemp suggests that the base year is not materially inefficient and hence no downward base year adjustment will be required. After commenting on the limits of the benchmarking methodology for TNSPs (eg small sample number and different operating environments), Powerlink notes for 2024:

- the reduction in opex productivity (multilateral partial factor productivity – MPFP) which aligns with falls in other TNSPs, and
- the reduction in performance when measured by Partial Productivity Indicators (PPIs) with Powerlink's ranking among the five TNSPs as 2nd (one PPI), 3rd (two PPIs) and 4th (one PPI).

HoustonKemp found that the decline in 2023-24 reflects a broader industry trend. It said that in the absence of comparable data for other TNSPs, it was unable to confirm whether the expected decline in Powerlink's operating cost performance in 2024-25 and 2025-26 reflects a broader industry trend. The report concludes[53]:

> *"In the absence of further evidence regarding broader industry trends, Powerlink's current benchmarking results are not yet sufficient to support a conclusion that its (forecast) 2025/26 opex is not materially inefficient."*

[52] https://www.aer.gov.au/industry/registers/resources/reviews/annual-benchmarking-reports-2025
[53] See p. 6 https://www.aer.gov.au/documents/powerlink-2027-32-houstonkemp-appendix-503-efficiency-powerlinks-base-year-operating-expenditure-january-2026

Powerlink will provide an update in is Revised Proposal in December 2026 when the benchmarking results for 2024-25 are available.

Trend

Powerlink argues the benchmarking methodology does not reflect the rapid change in the operating environment as the output measures used to calculate the trend component do not represent current operations. Generation capacity was seen as a better indicator of the complexity of a TNSP that the current customer numbers measure. Following detailed discussions with the RPRG, Powerlink decided to follow the standard AER methodology.

Powerlink proposes an annual 0.42% productivity improvement, in line with the AER's approach. This reduces forecast opex by $20.3m.

Step changes

There are three step changes totalling $85.1m compared with the four step changes totalling $101.6m in the Draft Plan. The cost for syn con maintenance is now part of the syn con contingent project application[54] so the opex cost approved by the AER will appear in 2027-32 under another heading.

$2026-27	Draft Plan	Revenue Proposal
Physical security uplift – cost associated with complying with obligations for physical security under the SOCI Act	$13.7m	$16.4m
Transition to cloud based solutions – opex/capex substitution with move to cloud based solutions rather than in-house IT provision	$64.4m	$60.0m
Enhance overnight network monitoring	$13.4m	$8.7m
Syn con maintenance	$10.1m	-
Total	$101.6m	$85.1m

Powerlink have retained the control room operator risk step change as they have decided to follow the AER trend forecast methodology for 'output'.

Category specific forecasts

There are three:

(i) AEMO participant and cyber security fees – regulatory requirement with costs an estimate that may change with the final cost dependent on a current AEMO review

(ii) Network support- set at zero

(iii) Debt raising costs

The forecast for the AEMC levy and insurance in the Draft Plan has been removed and included as part of the base step trend forecast. Large costs would be covered by pass through arrangements.

EBSS

The EBSS carryover results in a downward adjustment in MAR of $225.0m reflecting the forecast overspend in the current period.

[54] Proposal p. 84

RPRG comments

Base year efficiency

The latest benchmarking results for 2023-24[55] confirm HoustonKemp's forecast. We have previously noted that all networks have concerns about the measurement methodology giving misleading results. Each network claims its own special features eg some operating environment factors are not captured in the analysis, which they argue makes it difficult to fairly measure comparative productivity. The AER has a process of continual updating and refining the methodology[56]. Nevertheless our engagement in this reset (eg on alternative output measures) leads us to support Powerlink's call, made during the consultation process on the 2025 Benchmarking report, for a broader review of the transmission economic benchmarking specification[57]. In the meantime we think it is appropriate for consumers to use the AER data in their advocacy.

The Powerlink argument seems to be this: given the assessment of whether the base year is not material inefficient is a relative measure against other TNSPs, the fact that all other TNSPs have similar falling productivity means that Powerlink is not materially inefficient compared to the other TNSPs. Unfortunately this is the way the AER's assessment works. What it means is that if all TNSPs continue to have similar falling productivity then no TNSPs will be assessed as materially inefficient. A 25% fall in every TNSP's productivity would not result in any base year adjustment. It is difficult to see how this approach results in a prudent and efficient opex and meets the NEO.

Trend

Indicative of Powerlink's quality engagement, the RPRG was given an 'empower' right under the IAP2 spectrum to decide Powerlink's approach to calculation of the output component. The Proposal (p. 97) contains our response following detailed engagement on the Proposal to replace customer numbers with generation capacity as a measure of system complexity. We concluded that, while the proposed approach was a better measure, it was very unlikely to be approved by the AER as part of an individual network reset. We would encourage the AER to put this issue on the list for the next review of the benchmarking methodology.

Labour costs

The AER labour price methodology results in an annual 1.1% real increase. For reasons discussed above in Section 2 on the current and next EBA, we think that this is very unlikely to be achieved.

Productivity

We commented in Section 2 on the challenges Powerlink faces to improve its productivity performance to cover the EBA costs as well as meeting its proposed capex and opex spend. Consumers did not want to see a situation where they were paying 70% of the increased costs under EBSS from a failure to achieve productivity targets.

[55] https://www.aer.gov.au/documents/aer-2025-annual-benchmarking-report-electricity-transmission-network-service-providers-november-2025

[56] Eg non-reliability output weights were updated for the latest 2023-24 results

[57] See p. 7 https://www.aer.gov.au/documents/aer-2025-annual-benchmarking-report-electricity-transmission-network-service-providers-november-2025

Step changes

We comment on two of the proposed step changes- 'Enhance overnight network monitoring' step change of $8.7m (0. 48% of total opex) and 'Physical security uplift' of $16.4m (0.9% of total opex). In its explanation in Appendix 5.05 of the why the proposed step changes should be approved, Powerlink argues that both meet the materiality test they define as >$1m/yr.

In its September 2025 Draft Decision on the AusNet Services 2026-31 distribution Proposal, the AER rejected a number of step changes that it did not consider 'material' and hence did not meet the opex criteria. For example a proposed step change of $8.0m (0.047% of total opex) for more frequent pole inspections required by Energy Safe Victoria was rejected[58]:

> *"We consider the step change is covered by the trend component in our opex forecasting approach."*

It was the same outcome for a $9.2m 'Emergency preparedness and response' and $10.5m 'Insurance' step changes.

In its revised proposal submitted in December 2025, AusNet drew on a report from HoustonKemp, argued that the AER's apparent application of a materiality threshold (that seems to be 1% of opex thought it is never explicitly stated) is not supported by the AER's Expenditure Forecast Assessment Guideline (which does not establish any materiality threshold) nor the opex objectives or criteria in the NER.

While the Draft Decision referred to the need to show a 'material' increase in expenditure[59], the Final Decision the AER notes[60]:

> "In determining whether the incremental cost of a proposed step change may be double counted, we do not apply a quantitative threshold, but may have regard to a range of factors, and the specific circumstances of a decision. These can include, but are not limited to, the extent to which the proposed cost represents an increase in a business's existing recurrent opex requirements, is likely to otherwise be provided for through the base year and trend growth used to forecast total opex; and is the result of an exceptional change to a business's existing inputs, activities, or level of service provision."

We look forward to the AER's assessment of whether these two step changes involve any double counting through the base and trend components (and implicitly whether they are material) and are prudent and efficient.

Insurance

The RPRG had a session on the insurance market with Powerlink's advisor Marsh, at the November RPRG meeting. This gave us a good insight into the balance Powerlink has with its mix of commercial insurance

[58] See p. 19 https://www.aer.gov.au/documents/aer-attachment-3-operating-expenditure-draft-decision-ausnet-services-distribution-determination-2026-31-september-2025

[59] See pp. 30, 32 https://www.aer.gov.au/documents/aer-attachment-3-operating-expenditure-draft-decision-ausnet-services-distribution-determination-2026-31-september-2025

[60] See p. 22 https://www.aer.gov.au/documents/aer-attachment-3-operating-expenditure-draft-decision-ausnet-services-distribution-determination-2026-31-september-2025

coverage, self-insurance (to cover the cost exposure for the deductable amounts under the commercial policies) and pass through events with the mix of the three dependent on forecast insurance premiums.

6. Price Path

What we said in our Draft Plan comments

Under the default smoothing approach, the resulting price path was forecast to lift transmission prices by 8% in the first year of 2027–32, adding about $11 to an average residential bill and $22 for a small business. For the remaining years of the period, both groups were forecast to see annual nominal increases of around 3%.

Powerlink proposed an alternative smoothing option that would reduce the initial price impact, resulting in a 5% nominal rise in 2027-28—an average of about $8 for residential customers and $15 for small businesses. Under this approach, both groups would face ongoing nominal price increases of around 5% per year for the rest of the 2027–32 regulatory period. Powerlink stated that the alternative approach to smoothing revenue results in a more balanced price path relative to the default method.

The RPRG supported Powerlink's alternative price-smoothing approach because it provided customers with more stable and predictable pricing, which aligns with preferences expressed by direct connect and C&I customers. Given current cost-of-living and business pressures, even modest price relief early in the 2027–32 period would be welcomed, despite steady increases later.

However, the RPRG expressed concerns that the draft Proposal understated the true price impacts customers may face. Additional significant costs could arise from several sources, including:

- under the proposed alternative Capital Expenditure Sharing Scheme (CESS) approach, a lower carryover amount that could result in an additional $90.3 million to MAR and increase year-1 prices by 10% under the default path
- under the proposed alternative opex output growth approach, a revised rate calculation adding $54.4 million to operating expenditure
- potential future costs from Queensland Government Priority Transmission Investment decisions
- three contingent projects and six ISP projects that, if approved, would increase customer bills
- more cost pass-throughs occurring outside the revenue determination, such as system security support costs, and
- possible network support expenditure still being considered for inclusion.

The RPRG sought further information from Powerlink on credible future price scenarios, including those arising from external factors and unresolved regulatory issues.

While the RPRG supported Powerlink's plan to smooth prices in the first year of 2027–32, we wanted to see what that price path meant when projects in addition to the proposed ex ante capex were included.

What Powerlink is now proposing

Powerlink's smoothed revenue forecasts would result in a 5% nominal increase in transmission charges in 2027-28, which equates to an average of about $7 for residential customers and $14 for small businesses. Prices are then expected to rise by around 5% annually for the rest of the 2027–32 period, aligning with customers' preference for a stable and predictable price path as reflected in RPRG feedback. Powerlink also assessed the potential price impacts of projects handled outside the revenue determination process, such as Gladstone PTI.

X-Factors and Smoothed Revenue

Powerlink applies X-factors to smooth its annual revenue requirement, reducing volatility and minimising price impacts for consumers. The resulting smoothed MAR forms the basis for setting transmission prices each year. During the regulatory period, the MAR is updated annually to reflect actual inflation, changes in the return on debt, approved cost pass-throughs and any contingent projects that are approved by the AER.

Revenue Smoothing

Powerlink worked closely with the RPRG to develop a transparent revenue-smoothing approach that reflects customer interests. After reviewing options, the RPRG supported an alternative method designed to balance revenue recovery with expected demand growth and deliver a smoother, more predictable price path. This approach forms the basis of the Proposal. The resulting smoothed revenue ends the period 2.03% above the unsmoothed revenue which is within the AER's 3% limit.

Average Indicative Price Path

Powerlink calculates transmission charges each year under its approved Pricing Methodology. Transmission currently makes up about 6.7% of a household electricity bill and 6.5% for small businesses, which is around $148 and $288 per year respectively. Based on forecast smoothed MAR for 2027–32, transmission charges in 2027-28 are expected to rise by about $7 (5% nominal, 2% real) for residential customers and $14 (5% nominal, 2% real) for small businesses. For the remaining years, transmission bill components are forecast to increase on average by about 5% annually in nominal terms.

Nominal $	Annual average transmission bill in year 5 of current period- 2027	Annual average transmission bill in year 5 of next period – 2032
Residential	148	188
Small business	288	366

Add in the Gladstone PTI and syn con projects and the annual nominal increase in prices for residential and small business to 10%/year. The increases for larger customers tend to be customer specific.

RPRG Comments

The RPRG appreciates Powerlink 'empowering' the RPRG to determine the preferred approach. This resulted in a smoothed price path that provides greater stability and predictability for customers on

transmission prices. Whilst this approach may provide short term pricing relief, it does have the potential to 'back load' revenue recovery in later years (i.e. lower increase between regulatory periods, however steeper increases year on year).

We also thank Powerlink for providing Appendix 10.01 that sets out the price impacts of including syn cons and the Gladstone PTI. While we can understand Powerlink's reasoning for only including these two projects, consumers still face the risk that the price path could be much higher with other projects included (apart from factors beyond Powerlink's control eg WACC). Given the AER's focus on the potential for contingent projects to add to capex and prices and consumers concerns about higher prices, we would recommend that Powerlink provide some sensitivity testing on the impact of some of those projects proceeding in 2027-32 as part of its Revised Regulatory Proposal in December 2026.

7. Pass through events

What we said in our Draft Plan comments

We noted that three of the four proposed events are approved in the current period and we looked forward to further discussions with Marsh.

What Powerlink is now proposing

Powerlink are proposing the same four events as in the Draft Plan- insurance coverage, insurer credit risk, natural disaster and terrorism. The first three are approved events in the current period, the fourth has been added on the recommendation of Marsh, Powerlink's insurance broker and has been approved by the AER in a number recent network reset decisions. More detailed definitions are provided that were in the Draft Plan.

Pass though events, whether to increase or decrease costs, must have a value of >1% MAR in the year before the determination. For Powerlink that will be $10-13m depending on the year.

There may also be specifies pass through applications to the AER for system support services. Given their uncertainty Powerlink has a $0 alternative network support allowance.

RPRG comments

We had a productive discussion with Marsh at the November RPRG meeting and came away with comfort around Powerlink's approach to manage risk through a balance of commercial insurance, self-insurance and pass through events. We leave the AER to determine these matters. Given the AER has approved 'terrorism' as a pass through category, we support it being available to Powerlink.

Appendix - Responses to AER Issues Paper questions

Question	Response
Questions on our preliminary issues	
1) What are your views regarding Powerlink's justification for its proposed increase in replacement expenditure?	The RPRG's lengthy engagement on the proposed capex indicates that Powerlink has taken a very thorough approach to assessing its proposed capex spend.
2) In your view, has Powerlink considered all avenues to ensure its replacement capital program is prudent and efficient?	Powerlink has responded to all the issues we raised as we explored our optional 'proof point' criteria. Let alone contingent project capex, the size of the ex post capex increase has led consumers to see the AER's role to assess prudency and efficiency is much more important than that for the current period.
Questions on consumer engagement	
3) Do you consider Powerlink's revenue proposal reflects the outcomes consumers want at a reasonable cost? Why?	Powerlink has approached its consumer engagement in a very collaborative way. Engagement with the RPRG and Customer Panel meets and often exceeds the principles set out in the Better Resets Handbook, demonstrating genuine collaboration and meaningful opportunities for stakeholder influence in the development of the revenue proposal.
4) How effective has Powerlink's engagement been on the key areas of its revenue proposal, including its capital expenditure program?	
5) Where do you consider consumer preferences are most evident in Powerlink's proposal?	Powerlink has shown a strong commitment to engage on RPRG's areas of concern on capex – especially forecasting methodology and cost estimation, and deliverability. There are a number of examples where the proposal reflects RPRG views eg CESS, opex trend, DMIAM and price path. See Section 3 for details.

Questions on capex	
6) Do stakeholders have comments on Powerlink's expenditure over 2020–25 compared with its forecast capex allowance?	The RPRG had extensive discussions with Powerlink on actual vs forecast capex for 2020-25 ex post period. We leave the AER to assess Powerlink's proposal that its 6.3% overspend is not material.
7) Are there any particular areas of Powerlink's capex proposal that you would expect further engagement on?	We have had the benefit of engagement on all aspects of the capex proposal we have raised. The AER's Draft Decision may well raise additional areas where we would seek further engagement on as part of Powerlink developing its Revised Regulatory Proposal.
8) How do you consider the proposed capex programs reflect stakeholder preferences?	Stakeholders want Powerlink to provide safe, efficient, secure and reliable transmission services. Our engagement has shown that Powerlink is very focused on delivering that for all Queenslanders. Nevertheless, there is consumer concern about the size of the increase in ex ante capex is significant before the inclusion of the potentially much larger capex in contingent projects. We look to the AER to assess how successful Powerlink has been in its objective.
9) Do you consider that the areas we have identified for greater assessment focus are appropriate, and, if not, what other areas should be considered and why?	Yes we agree with the proposed focus on prudent and efficient replacement expenditure, the impact of PTI/ISP/contingent projects and deliverability as key factors in assessing the prudent and efficient level of capex.
10) Do you have any views on the prudency (need) and efficiency (cost) of any aspects of the proposed capex?	We consider that cost forecasting methodology, cost estimation accuracy (impact of having most projects cost estimated at an AACE Class 5 level) and the application of the asset investment review are matters the AER should consider as it assesses capex. Once the prudent and efficient capex allowance has been determined, deliverability ('on time' and 'on budget') is a key factor we recommend that AER focus on. Our deep engagement on these matters was designed to increase consumers' understanding of the challenges Powerlink faces in delivering on its approved capex (and opex). Our high level assessment is that Powerlink has taken a reasonable

Question	Response
	approach. Nevertheless, potentially significant risks remain especially if some of the contingent projects proceed. That assessment of deliverability should be preceded by the AER and Powerlink coming to a shared understanding of what projects in Figure 11 in the Issues Paper should be included in assessing deliverability.
Questions on opex	
11) Do you consider Powerlink's opex forecast for the 2027–32 regulatory control period reasonably reflects the efficient costs of a prudent operator? Specifically, do you consider Powerlink's estimate of 2025–26 base year opex and proposed step changes are required to produce an opex forecast that reasonably reflects the efficient costs of a prudent operator?	We note the significant increase in opex in recent years which is forecast to continue in 2027-32. Powerlink has followed the AER's base, trend, step approach to deriving its opex. Powerlink has made a credible case to the RPRG for the AER to have a network wide review of the trend methodology to consider how it might better reflect the increasing complexity of operating modern electricity networks.
12) What are your views regarding our prioritised review of the base year opex and the step changes?	We support this review of whether the base year of 2025-26 is 'not materially inefficient'. AER's benchmarking data shows Powerlink's opex productivity has fallen in recent years up to 2023-24. Powerlink expects it to continue falling in 2024-25 and 2025-26. However, given other TNSPs are also falling and the 'not materially inefficient' measure is relative, not absolute, we would not be surprised to see the AER conclude that it is not materially inefficient. We recommend that the AER's forthcoming review of its benchmarking methodology includes a review of the current approach of network efficiency being a relative rather than absolute concept which leads to no base year adjustment when all TNSPs have declining productivity.
13) Do you consider that Powerlink's opex proposal, particularly the drivers of the rapidly increasing costs and benefits of the step changes were sufficiently consulted on during the stakeholder engagement processes? Has Powerlink adequately addressed the themes and issues raised by stakeholders?	Yes, the step changes were the subject of detailed engagement with the RPRG. We leave the AER to assess the prudency and efficiency of the proposed amounts.

Question	Response
Question on pass through events 14) What are your views on the new nominated terrorism pass through event?	Given the AER has accepted it for other recent networks, we support it being available to Powerlink.
Question on contingent projects 15) What are your views on the proposed contingent projects?	We leave the AER to assess whether Powerlink has met the rules requirements for contingent projects. While all projects are expected to go through the RiT-T process, we are concerned about the potential impact of projects that are approved on overall project capex delivery.
Question on deliverability 16) Do you have comments on the deliverability risk of Powerlink's overall capex program?	We have had extensive engagement with Powerlink on deliverability which we define as 'on time' and 'on budget'. Powerlink has provided extensive information in the proposal and in our engagement which is discussed in this submission. We recommend that the AER closely review this information as it assesses deliverability of the assessed prudent and efficient capex.
Questions on incentive schemes 17) What, if any, are your concerns with the application of the CESS or EBSS for Powerlink in the 2027–32 regulatory control period. 18) Do you consider Powerlink's proposed exclusions of opex categories from the EBSS for the 2027–32 regulatory control period are reasonable? Please explain why.	We leave the AER to assess the application of EBSS and CESS. Debt raising and network support costs have been approved exclusions previously. Given Powerlink has, in our view, no influence on the level of AEMO participant fees (the five year review of the fee structure was recently completed) or cyber security fees, we support Powerlink's proposal.

Question	Response
Questions on pricing methodology 19) Do you consider Powerlink's proposed changes to its pricing methodology for the 2027–32 period are appropriate and that they give effect to the pricing principles for prescribed transmission services? 20) More generally, do you have any comments on Powerlink's proposed transmission pricing methodology for the 2027–32 period?	We engaged on the price path and appreciated that Powerlink has agreed to our recommendation for a smoothed price path that provides greater stability and predictability for customers.